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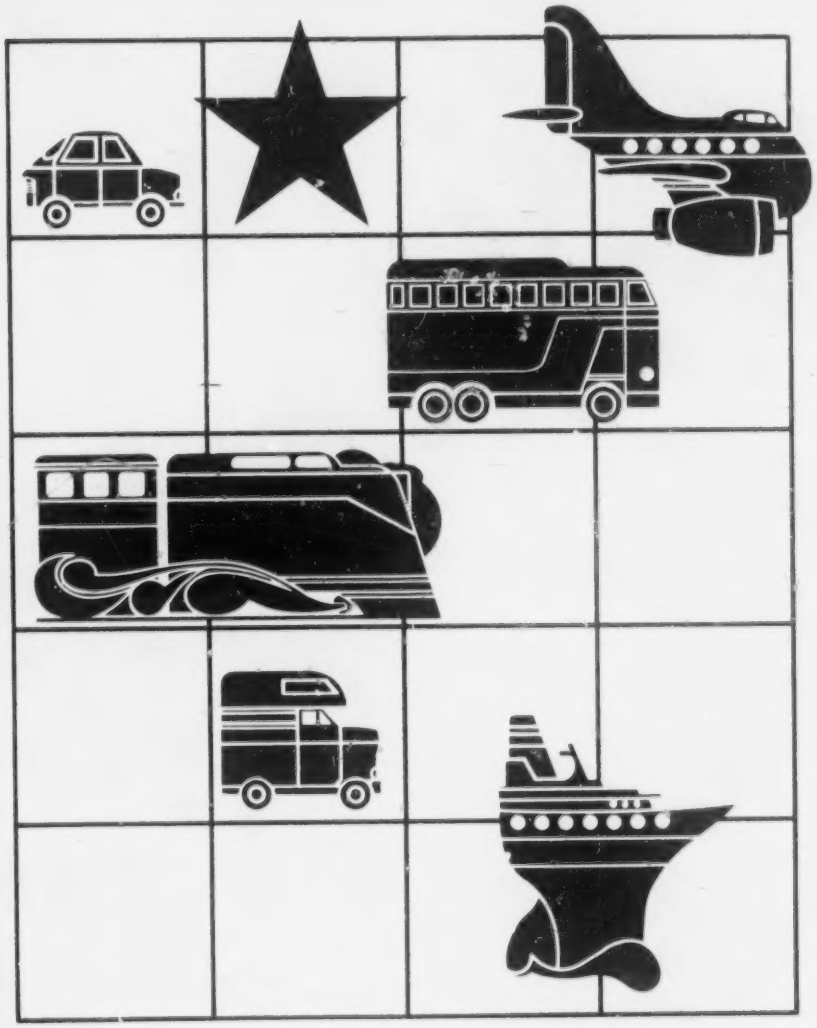
The 1990-91 Economic Review of Travel in America



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The U.S. Travel Data Center is an affiliate of the Travel Industry Association of America

THE 1990-91 ECONOMIC REVIEW OF TRAVEL IN AMERICA

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The U.S. Travel Data Center is the national, nonprofit center for travel and tourism research, and an affiliate of the Travel Industry Association of America. Since its establishment in 1973, the Data Center has devoted itself to advancing the common interests of the travel industry and the public it serves by encouraging, sponsoring and conducting the statistical, economic and scientific research concerning travel, the travel industry and travel-related industries.

In pursuit of this objective, the Data Center gathers, analyzes, publishes and disseminates the results of such research, and cooperates with all government agencies, private industry and academic institutions with similar purposes and objectives. The Data Center is financed through publication sales, membership dues and contract research. It is an affiliate of the Travel Industry Association of America and is located in Suite 800, 1133 Twenty-first Street, NW, Washington, DC 20036.

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PREFACE

This report is designed to be a basic reference on the role of travel activity and the travel industry in the American economy. It is hoped that this report will improve understanding of one of the most ubiquitous activities and dynamic industries in the U.S. today.

Many have contributed information and insights that have assisted drafting of this report, and we express our thanks. In particular, we are grateful to Harvey Shields of the U.S. Travel and Tourism Administration, Frank Smith of the Eno Transportation Foundation, Randell Smith of Smith Travel Research, and David Swierenga of the Air Transport Association for providing data.

This report was researched, prepared and written by Dr. Douglas C. Frechtling, Consulting Economist to the Data Center.

U.S. Travel Data Center
Washington, D.C.
November 1, 1991

EXECUTIVE SUMMARY

- U.S. and foreign travelers spent $328 billion in the U.S. during 1990, up 6.5 percent from the prior year. This equaled 6.5 percent of the gross national product (GNP).

- Travel spending in America directly generated 5.9 million jobs paying nearly $84 billion in wages and salaries in 1990 and producing over $43 billion in federal, state and local tax revenue.

- Including the "multiplier" impact of this spending, travel in America generated $226 billion in wages and salaries for 12.3 million jobs.

- If viewed as a single retail industry, the travel and tourism sector is the third largest retail industry in terms of business receipts.

- Travel industry sales grew faster than GNP in 1990, but industry receipts rose more slowly than the overall economy in *real* terms.

- Led by rising gasoline prices, overall travel prices rose 8.3 percent over 1989, more rapidly than the Consumer Price Index for the third year in a row.

- Travel industry employment grew only 2.6 percent in 1990, the smallest increase in nine years but still faster than total U.S. employment. Travel remained the second largest private employer in America, after health services.

- Petroleum consumed in traveling away from home in the U.S. grew 2.4 percent in 1990 and accounted for only 17 percent of U.S. petroleum consumption.

- Foreign visitors to the U.S. numbered 39 million in 1990, up 7 percent from the previous year. Their expenditures here totaled nearly $41 billion and generated 870 thousand jobs.

- U.S. travelers to foreign countries numbered 44 million, up four percent; their spending increased twelve percent to $39 billion.

- U.S. travelers spent more in the South Atlantic region in 1989 than any other region, but the Mountain region was the most dependent upon tourism for economic support.

TABLE OF CONTENTS

CHAPTER		Page
I.	INTRODUCTION	1
II.	TRAVEL ACTIVITY AND INDUSTRY TRENDS	5
III.	TRAVEL PRICE INFLATION	21
IV.	TRAVEL AND EMPLOYMENT	25
V.	TRAVEL AND ENERGY	31
VI.	INTERNATIONAL TRAVEL TRENDS	35
VII.	REGIONAL TRAVEL PATTERNS	47
VIII.	CONCLUSION	51
APPENDIX A	BASIC TRAVEL DATA	
APPENDIX B	STANDARD TERMINOLOGY	
APPENDIX C	RESOURCES	

I. INTRODUCTION

This is the ninth annual report on the role of travel and tourism in the American economy prepared by the U.S. Travel Data Center. It is designed to review current economic characteristics of travel away from home, developments in the U.S. travel industry, and the effects of recent economic changes on travel and tourism.

The report is based on two key premises. The first is that travel and tourism makes a significant contribution to the size and growth of the U.S. economy and is a mainstay for many regional economies. The second is that changes in personal income, rates of price inflation, international exchange rates, fuel prices and availability, and government tax, expenditure, and regulatory policies affect travel's contribution to America's prosperity and lifestyle.

The information in this report has been gathered from the best objective sources available and analyzed with an eye to clearly portraying the experience, prospects, and challenges of travel and tourism in America. It is published in the spirit of assisting the industry and others to understand the public interest in travel and tourism.

A realistic appreciation of tourism's strengths and vulnerabilities helps guarantee that this activity will contribute as much or more to America's growth and well-being in the years ahead as it has in the past.

The subject of this report is travel away from home by American residents and foreign visitors. Over the years there has been considerable discussion of the appropriate definition of this activity. After careful study of alternative definitions, the Data Center Board of Trustees in 1985 adopted the following definition of "domestic traveler":

> Any resident of the United States regardless of nationality who travels to a place 100 miles or more away from home within the U.S. or who stays away from home one or more nights in paid accommodations and who returns home within twelve months, except commuting to and from work or attending school.

This definition closely follows that originally recommended by the World Tourism Organization (WTO) for domestic travel. The Data Center also adopted the WTO definition of "international traveler" in 1985:

> Any person visiting a country other than that in which he (she) has his (her) usual place of residence, for not more than one year, and whose main purpose of visit is other than following an occupation remunerated from within the country visited, staying at least 24 hours, but not more than one year in the country visited.

These definitions and the related terms in Appendix B have been endorsed by the Travel Industry Association of America as well.

In practice, studies by various organizations over the years have incorporated different definitions of "travel away from home." These include "trips to places 100 miles or more away from home," "overnight stays away from home," and "crossing of a county border." The data on travel activity presented in this report reflect these differences but have been chosen to approximate the Data

Center's definition as closely as possible.

As the result of a special international conference on travel and tourism statistics, the WTO is working on revising its standard definitions, the task to be completed by early 1992. The Data Center will monitor this process to ensure its terminology is as consistent as feasible with that of the WTO.

The word, "tourism," is often used in many parts of the world to denote travel away from home. In American parlance, however, it connotes travel for pleasure only. When the term is used herein, it is as a synonym for travel away from home, to emphasize that we are interested in activity away from the resident's normal living and work environment, rather than local trips and associated behavior.

The Travel Industry

The travel industry has been described, half facetiously, as a collection of diverse products sold by a fragmented industry to segmented markets through a complex distribution chain. This suggests the complexity of the industry and the difficulties of describing it.

The travel industry is not concentrated in definite areas of the country or characterized by large plants with towering smokestacks. Instead, it comprises the airline terminal in the suburbs, the restaurant in town, the highway motel, the travel agency down the block, and a host of other businesses that do not even recognize their dependence on tourism since visitors are usually indistinguishable from local customers.

It is not surprising that government officials, business executives and the public have been slow to grasp the significance of travel away from home and the industry that has developed to serve it. Indeed, many in the travel industry itself do not fully comprehend the nature of travel's economic contributions. How much more difficult it is for others, often in position to influence the course of travel and prospects for the industry, to appreciate the significance of tourism.

Businesses are commonly grouped together into industries by the type of product they produce, as in the U. S. government's Standard Industrial Classification (SIC) system. The steel industry produces steel, the hotel industry, lodging, and so on.

Travelers away from home, however, patronize a number of different industries as conventionally defined. They purchase public transportation, gasoline, food, lodging, entertainment, recreation, and countless incidental goods and services. U.S. businesses sell these items to travelers and to local residents and to nearby business firms as well.

For this reason, we cannot distinguish the "travel industry" as a collection of firms that sells only to travelers. We can, however, develop a spectrum of types of businesses according to their dependence on traveler purchases for their receipts.

In the U.S., the Data Center defines "primary travel-related businesses" as those establishments that depend directly upon traveler expenditures for more than one-quarter of their total sales receipts. This group includes intercity bus, rail and air passenger carriers; eating and drinking places; hotels, motels and motor hotels; campgrounds and transient trailer parks; car rental firms; and amusement and recreation services. By

charting trends for this group of businesses, we can deduce the course of the businesses that primarily serve the traveler away from home.

Unfortunately, data are not readily available on all of these travel industry sectors. The reader will note that the components making up the travel industry in this report may change from one section to another, depending on the statistics available. However, we believe that the data do indicate generally how the travel industry is faring and how it is contributing to the U.S. economy.

Automobile travel, including that by auto, truck, recreational vehicle, and motorcycle, comprises 60 percent to 80 percent of all travel away from home in this country, depending upon whether passenger-miles or passengers are measured. The type of business that best represents this transportation activity is gasoline service stations. However, traveler expenditures on auto transportation comprise only about 20 percent of total sales of these establishments.

Consequently, we have elected to exclude gasoline service stations from the collection of businesses representing the travel industry in this report. By so doing, we exclude businesses representing a large sector of travel activity but improve our chances that the travel industry described herein actually represents travel-related business developments.

The size and course of the travel industry so defined in this report do not necessarily represent the economic impact of travel and tourism. The economic contribution of travel occurs as residents and nonresidents *travel away from home* and spend money on goods and services in the U.S. Consequently, this impact, whether measured in consumer expenditures, business receipts, wage and salary income, or employment, necessarily differs from the simple sum of these measures of the businesses that comprise the travel industry.

Traveler expenditures on air transportation fall short of total airline receipts by the amount airlines earn from cargo transportation and other non-passenger related income, for example. As another example, eating and drinking place receipts vastly exceed traveler spending on prepared meals by the amount sold to local residents. And, as mentioned above, certain categories of traveler spending, such as for gasoline and souvenirs, are not included in this report's measure of travel industry developments.

Consequently, those who seriously study the course of travel and its economic contributions should beware of simply following the receipts, payroll and employment of some collection of industries. This will prove to be a misleading picture of the impact of travel away from home.

While the individual activities and types of businesses included in this report are quantified, the charts and analysis focus on travel and the industry that services it as a whole, rather than on its component parts. This follows from the view that travel away from home is a distinctive human activity, requiring a variety of goods and services. The consumption of these goods and services makes the establishments which provide them necessarily interdependent. People who travel need a mode of transportation, a place to visit, shelter, and food. Oftentimes, they demand entertainment, recreation, and other items as well.

In a very real sense, we would not have hotels without transportation, nor would many people travel without a place to stay. Similar interdependence among other traveler activities can be easily identified. Consequently, we feel travel and the travel industry is best viewed in its entirety and attempt to emphasize this perspective. Readers interested in examining an individual sector of the travel industry, such as hotel/motel lodging or air transportation, will find such information in this report. However, they are directed to the individual trade associations for more complete coverage.

A traveler's purchase from a retail business begins a productive economic process that stretches through wholesale, manufacturing, extractive, transportation and service firms. There are indications that this secondary, or "multiplier," impact of such a purchase can dwarf the direct impact on the travel-serving retail business.

Unlike earlier editions of this report, this one reports estimates of the national multiplier effects of travel and tourism expenditures. Also included for the first time is a discussion of productivity trends in the travel industry (Chapter IV).

Organization of the Report

The review is organized in eight chapters. Recent developments in travel activity along with current industry trends placed in the perspective of the last decade are discussed in Chapter II.

Chapter III presents a discussion of travel price inflation. Chapter IV focuses on the unique ability of the travel industry to create jobs.

Chapter V highlights the dependence of travel on petroleum fuel supplies and emphasizes the relatively small share of energy consumption attributable to the activity.

Chapter VI presents a discussion of international travel trends and their effect on the U.S. Chapter VII surveys regional trends in travel.

Chapter VIII provides an overall assessment of the relationships between travel and the U.S. economy demonstrated in the past and expected in the future.

The appendices provide background information essential to the report. Appendix A presents the base data used for calculating the charts included in the previous chapters. Appendix B presents the standard terminology for statistical reporting adopted by the Data Center's Board of Trustees in December, 1985. Appendix C is a list of sources used in the preparation of this report.

Please note: Some of the 1990 estimates herein are preliminary and subject to change. And in tables, detail numbers may not add to the totals due to rounding.

II. TRAVEL ACTIVITY & INDUSTRY TRENDS

The 1990 U.S. economy was wracked by higher taxes, rising inflation and a plunge in consumer confidence as the United Nations responded to Iraq's invasion of Kuwait in August. It is not surprising that it slipped into recession after the longest peacetime expansion in our history, and the second longest of all time.

The expansion began in December, 1981 and lasted for 92 months. During this time, per capita disposable personal income rose 1.9 percent a year, and per capita household net worth grew 1.8 percent annually. These rates are near the average for the four expansions in the last 30 years.

The nation's output of goods and services and employment increased in 1990, but at much slower rates than earlier years of the expansion. (Table II-1) Corporate profits stabilized after falling in 1989, and consumer price inflation accelerated, continuing the pattern begun three years earlier.

There was no shortage of bad news for the economy and the travel industry in 1990.

Table II-1: Overall U.S. Economic Developments 1982-90

	(compound annual rate of change) 1990	1989	1982-90
Nominal GNP	5.1%	6.7%	7.1%
Real GNP	1.0	2.5	3.5
Personal income	6.0	7.7	7.2
Corp. profits after tax	0.0	-4.4	6.2
Consumer price index	5.4	4.7	3.9
Payroll employment	1.8	2.7	2.6

Source: Federal Reserve Bank of St. Louis

Economists point to July as the peak of the 1982-90 expansion. On August 2, Iraq invaded Kuwait, and the recession began in earnest. Consumer confidence plummeted and oil prices soared to $40 a barrel in the fall. Gasoline prices peaked at $1.39 a gallon (self-serve unleaded), while jet fuel prices more than doubled by October. Thirty-four states and countless local governments raised their taxes in 1990, putting further pressure on consumer incomes and business operations.

Nevertheless, nearly two million new jobs were created and personal income rose somewhat faster than consumer prices for the year.

1991 Economic Outlook

Many analysts believe the recession concluded in the second quarter of 1991, producing the second mildest recession since 1945. But the ensuing upturn has proved to be one of the most sluggish on record as well. Table II-2 summarizes the changes in key economic variables that affect travel away from home in 1991 according to a consensus of economic forecasters.

All of the major economic variables affecting travel and tourism have slowed dramatically or actually declined in 1990, reflecting the weakness of the economic recovery. This weakness is variously attributable to slower

Table II-2: Overall U.S. Economic Developments, 1989-90

	(annual rate of change) 1991f	1990
Nominal GNP	3.7%	5.1%
Real GNP	-0.2	1.0
Personal income	-0.2	6.0
Corp. profits after tax	-1.1	0.0
Consumer price index	4.2	5.4
Payroll employment	0.0	1.8

f = forecast
Source: U.S. Travel Data Center and Blue Chip Economic Indicators, Sedona, AZ

than desired growth in the nation's money supply, the extraordinary increase in federal, state and local tax burdens, the aging of the baby boomers, families and businesses working to reduce their debt load, and a general shift in consumer mood away from acquisition and toward preparing for rainier days. The only bright spot is the moderation in the rate of price inflation.

In sum, there is no reason to expect the economy to provide much lift to business or leisure travel in 1991. Rather, any growth must come from a return in consumer confidence about economic futures and a decline in concern over terrorist attacks.

Travel Activity

The travel industry suffered several setbacks in 1990. In January, Greyhound workers launched a nationwide strike against the country's largest intercity bus carrier that continued through the end of the year. Airlines raised fares 15 percent in response to soaring jet fuel prices as the Persian Gulf War began, but this was not enough to prevent Continental Airlines, Pan American World Airways, Midway Airlines, and American West Airlines from filing for bankruptcy, or to keep Eastern Airlines from being liquidated.

The U.S. commercial aviation industry suffered a $4 billion net loss for 1990, the worst ever. Some analysts maintain that 1990 wiped out the accumulated profits for the entire U.S. airline industry since the beginning of commercial aviation.

Several surveys found that Americans were far more sensitive to economic conditions than the Persian Gulf War and related fears of terrorism in changing their travel behavior in late 1990 and early 1991. Consequently, travel away from home did not rebound once the war was declared over.

A minor irritant was the federal government's closing of all National Park Service areas over the Columbus holiday weekend in early October, to put pressure on Congress

Table II-3: U.S. Travel Away from Home for Selected Purposes or Occasions, 1988-90
(millions of person-trips)

Purpose or occasion	1990	1990/89 change	1989/88 change
Total	1,275	1.1%	2.2%
Vacation	884	0.6	5.7
Business/convention	210	-9.7	9.6
Visit friends/relatives	523	9.1	- 12.0
Entertainment/recreation	446	-4.9	-6.6
Weekend	580	-0.3	3.9

Note: Categories overlap and do not add to total.
p = preliminary
Source: U.S. Travel Data Center

to reach a budget agreement. While this particular crisis was over within the week, it presaged tax hikes on travel businesses to help balance budgets at all levels of government.

Despite the unfavorable economic and political developments, U.S. resident travel and tourism activity grew in 1990 for the sixth consecutive year. As indicated in Table II-3, U.S. travel away from home as measured by the Data Center's National Travel Survey in "person-trips" (one person on a trip to a place 100 miles or more away from home) increased marginally in 1990. Total person-trips for all purposes reached 1.27 billion, the highest level recorded in the twelve years of the survey.

Trips to visit friends and relatives led all other categories for the second year in a row. The 1990 total for this category actually grew more than total person-trips did. This no doubt reflects American efforts to maintain pleasure trips during difficult economic times by economizing on them.

Vacation travel volume grew slightly, but the trips were reduced in distance and somewhat more oriented toward visiting friends and relatives.

Business/convention travel showed the greatest drop for all categories, erasing its 1989 gain. These trips ended the year at the lowest level since 1987, and involved shorter distances and a greater proportion was by motor vehicle than prior years. There is clear evidence of "trip-linking" in this 1990 travel, where travelers combined destinations and purposes. They showed longer durations, with significantly fewer day trips. Moreover, there was a greater tendency to combine business with pleasure: the percentage of these trips involving some vacation activities rose, as did the proportion with spouses along.

Weekend travel dropped marginally and tended to cover shorter distances and be more related to friends and relatives than the previous year.

Tracking the increase in trip volumes, travel measured in nights away from home rose one percent in 1990 as the average trip duration remained at 4.1 nights away from home. (Table II-4).

Trips for vacation (4.6 nights away from home), and entertainment/recreation (4.1 nights) were shorter than the year before. Trips to visit friends/relatives (4.4 nights) and business/convention purposes (3.8 nights) showed marked increases in average duration. By their definition, weekend trips (2.6 nights) cannot show more than minor changes in duration over the years.

Table II-4: U.S. Nights Away from Home for Selected Trip Purposes and Occasions, 1987-89
(millions of person-nights)

Purpose or occasion	1990	1990/89 change	1989/88 change
Total	5,225	1.1%	-2.6%
Vacation	4,066	-1.5	1.4
Business/convention	796	4.6	9.6
Visit friends/relatives	2,300	17.7	4.4
Entertainment/recreation	1,874	-9.2	-12.5
Weekend	1,509	-4.0	8.0

Note: Categories overlap and do not add to total.
p = preliminary
Source: U.S. Travel Data Center

The durations of trips for personal reasons -- vacation, visiting friends/relatives, sightseeing/recreation -- have shown an

interesting pattern this decade. Average nights away from home on these trips rose steadily from the recession years of 1980-82 and peaked in 1985. Overall durations reached an average of five nights per trip that year, and vacation trips topped 5.7 nights.

Since then, however, personal trip durations have trended steadily downward. Vacation trips now show the shortest durations in this decade (4.6 nights), and visit friends/relatives travel has fallen to 4.4 nights from its 1985 peak of 5.4 nights.

Explanations for this pattern may be found in employment trends. The proportion of Americans with jobs is at the highest level this century, putting a squeeze on time available for leisure travel. When both husband and wife hold full-time jobs, scheduling a week or two away from home proves quite difficult. Moreover, the explosive growth of resorts and other recreational opportunities near major population centers coupled with expanding airline capacity and discount fares for discretionary travel have encouraged Americans to take more trips in a year but spend fewer nights away from home on each.

Table II-5: U.S. Travel Expenditures, 1988-90
($ billions)

Location	1990p	1990/89 change	1989/88 change
On domestic travel*	$288	5.4%	5.3%
In foreign countries	$39	11.9%	4.4%
Total	$326	6.1%	5.3%

*includes spending in U.S. territories
p = preliminary
Source: U.S. Travel Data Center, preliminary

Except for weekend travel, travel for all purposes is tending toward the average of four nights per trip. Vacations of two weeks or more still abound, but they are dwarfed by weekend pleasure trips and business travel. This trend toward trips of shorter duration will continue as long as multi-wage earner households grow in numbers and nearby leisure opportunities abound, and be accelerated in times of economic distress like the present one.

Travel Spending

U.S. residents spent $326 billion traveling away from home during 1990, up 6 percent from the previous year, according to preliminary estimates from the Data Center's Travel Economic Impact Model (TEIM) (Table II-5). Revision and expansion of this model was concluded in 1991, and the domestic travel expenditure figures shown in this report reflect the revised estimates. Comparison of U.S. domestic travel expenditure estimates for 1987 for the original and revised TEIM indicate that the new estimates of expenditures are about 17 percent below the original estimates.

This travel spending averaged $1,300 per U.S. resident, and occurred at a rate of more than $620,000 a minute. Americans spent more on travel in 1990 than they did on clothing, accessories, jewelry, and personal care.

U.S. spending on domestic travel rose about the same rate in 1990 as it did the previous year. Travel spending barely outpaced U.S. spending on all goods and

services (nominal GNP) and grew less than overall personal consumption spending in 1990.

U.S. travel spending in foreign countries posted the strongest increase since 1987's recovery from the terrorist attacks and threats against U S. carriers and the Chernobyl nuclear disaster of 1986. Such spending in 1991 is expected to show little growth in response to the Persian Gulf War and the domestic economic recession.

Table II-6: Travel Expenditures in the U.S. 1988-90* ($ billions)

Source	1990p	1990/89 change	1989/88 change
U.S. residents	$288	5.4%	5.3%
Foreign visitors	$41	15.4%	21.6%
Total	$328	6.5%	7.1%

*includes spending in U.S. territories

A better indication of travel's contributions to the American economy is total travel spending in this country: the sum of U.S. domestic travel spending and foreign visitor expenditures here. Travel spending in the U.S. by all travelers totaled $328 billion, up 6.5 percent (Table II-6), and equivalent to six percent of our Gross National Product.

Foreign visitor spending in the U.S. grew at a double-digit rate for the fifth year in a row. Continued economic expansion in major foreign nations, relatively mild U.S. inflation and a dollar still low in value against major foreign currencies has returned travel to the U.S. to within the means of many international travelers and boosted their expenditures here. Indeed, foreign visitor expenditures here have risen by 129 percent since the dollar peaked in value in 1985.

Foreign visitor expenditures accounted for twelve percent of total travel spending in the U.S. during 1990. Consequently, despite the double-digit increase in foreign spending here, overall travel spending in the U.S. rose less than seven percent.

Traveler expenditures become sales receipts for travel-related businesses. Business receipts attributable to travelers suggest the magnitude of the "travel industry" in America. They allow us to view the travel industry in the perspective of size relative to other industries.

Such a comparison is not straightforward. One reason is that the U.S. Census Bureau does not publish annual sales data for all industries. Another is that retail industries cannot be fairly compared with wholesale, manufacturing, or extractive industries. Retail sales include the value of output of these businesses so the retail sales of a product will always exceed the value of the product's manufacture.

Table II-7: Travel Business Receipts in the U.S. Compared to Major Retail Industry Receipts, 1990 ($ billions)

Industry	Sales
Automotive dealers	$382
-Food stores	$362
Travel and tourism	$312
General merchandise stores	$212

Source: U.S. Travel Data Center, U.S. Bureau of the Census; preliminary

Finally, what is published as receipts for

some sectors, such as health services, includes substantial government expenditures in the form of subsidies and administrative payments. Government policies directly determine the size of such industries rather than consumer or business demand.

The Census Bureau does publish consistent annual sales estimates for a number of retail industries. In Table II-7, these estimates are listed for the top four such industries in 1990.

The $328 billion spent on travel and tourism in the U.S. generated $312 billion in business receipts after removal of retail sales taxes. Sales of automotive dealers fell slightly in 1990, while food stores sales advanced five percent. Travel and tourism sales grew faster than both for the year.

In terms of employment, travel directly generates more jobs than any other U.S. industry except health services (doctors, nurses, hospitals, laboratories, etc.). Travel activities directly provided more jobs in 1990 than total payroll employment in 14 states combined. The wage and salary income paid to these employees surpasses the combined payrolls of nation's steel and motor vehicle manufacturing industries.

Travel's Economic Impact

Travelers purchase goods and services, providing retail and service establishments with sales receipts. These receipts are used by proprietors to purchase the goods and services needed to serve the traveler. Labor, of course, is the major service that travel-related businesses purchase, generating wage and salary (payroll) income. During the process, tax revenue is generated for federal, state and local governments.

Table II-8 indicates how the $328 billion spent on travel in the U.S. during 1990 contributed to the national economy in terms of wage and salary income, employment, and tax revenue directly generated.

Travel spending directly generated 3.1 percent of total U.S. wage and salary disbursements during the year, and 5.2 percent of U.S. nonagricultural payroll employment. This spending also contributed 3.6 percent of the combined tax revenue of federal, state and local governments for 1990.

During 1990, each dollar of travel spending in the U.S. generated 26 cents in payroll income, and 13 cents in tax revenue. Each $55,800 spent by travelers in the U.S. *directly* generated one job.

These measures of the direct impact do not include the so-called "multiplier" impact of travel spending. This spending produces

Table II-8: Measures of Travel's Direct Economic Contribution, 1990

Expenditures in the U.S.:	$328 billion
Contribution to business:	$312 billion in business receipts
Contribution to individuals:	$83.7 billion in wage and salary income generated for 5.88 million jobs
Contribution to governments:	
	$24.5 billion in Federal tax revenues
	$12.6 billion in State tax revenues
	$ 6.6 billion in local tax revenues
	$43.6 billion in total tax revenue

Note: includes U.S. territories
Source: U.S. Travel Data Center; preliminary

Table II-9: Measure of Travel's Total Economic Contribution to the U.S., 1990

Contribution to business: $761 billion in total business receipts

Contribution to individuals: $226 billion in wage and salary income generated for 12.3 million jobs

Source: U.S. Travel Data Center; preliminary

secondary effects over and above their primary ones, as travel-related businesses purchase goods and services from their suppliers, and as the employees of these businesses spend their earnings. The ratio of the sum of direct and secondary effects to the initial expenditures is commonly termed the "multiplier."

During the TEIM revision process, special estimates of tourism multipliers were derived for 1989 from the U.S. Department of Commerce's Regional Input-Output Modeling System (RIMS II). By these measures, each dollar of travel spending in the U.S. generated $2.32 in total sales from interindustry purchases and personal consumption expenditures. Each dollar generated 69 cents in wage and salary income through this process. Finally, every one million dollars spent by travelers supported 3.7 jobs.

Assuming such multipliers change little from year to year, Table II-9 shows the total impact of traveler expenditures in the U.S. in 1990. This is considerably larger than the direct effect alone. For example, total wages and salaries generated are three times those produced directly by travel spending in America.

According to these estimates, travel and tourism activity in the U.S. generated 8.4 percent of total wage and salary disbursements in 1990, for the workers in eleven percent of non-farm jobs. Every $26,700 spent by travelers supported one U.S. job through the multiplier process.

Travel expenditures touch a multitude of various types of businesses in the U.S. This variety and the predominantly small-business nature of these businesses can obscure the considerable benefits that accrue to U.S. residents in receipts, jobs and income. The estimates above help clarify the important role that travel and the travel industry play in the American economy.

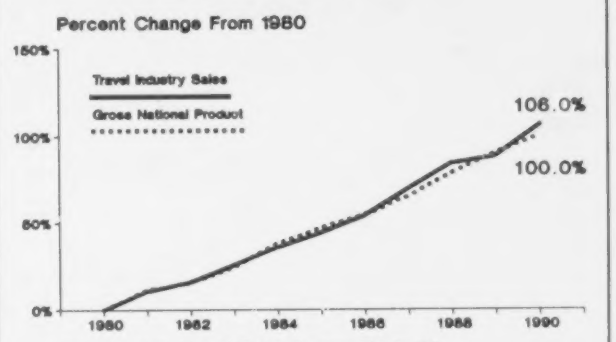
Travel Industry Receipts

Travel expenditures in the U.S. generate receipts for at least 15 different types of businesses as conventionally defined. For some of these businesses, such as Amtrak and hotels/motels, travel expenditures account for the vast majorities of their receipts. For others, such as general merchandise stores and gasoline service stations, receipts from travelers account for less than one-quarter of the totals.

In order to examine the course of the travel industry over the years, the sales of six types of businesses are aggregated and analyzed here. These businesses are distinguished by all owing at least one-quarter of their receipts to travel expenditures and by reliable time series data available from the U.S. Bureau of the Census and other national authorities.

By focusing on the changes in these aggregate receipts, we can obtain a fair picture of the U.S. travel industry relative to the overall economy over time. The reader should note, however, that the aggregate

FIGURE 2A
TRAVEL SALES HAVE OUTPACED
GNP GROWTH SINCE 1980



Source: U.S. Travel Data Center, Table 2A

industry receipts discussed here tell us nothing in themselves about the volume of travel spending in the U.S. or the magnitude of business activity generated by this spending. This is because they comprise revenue from non-travelers as well as travelers and because important sectors of the travel industry for which annual sales data are lacking (such as vacation homes) are excluded from this grouping.

Travel industry sales have grown somewhat faster than total sales in the U.S. economy over the past decade. U.S. travel industry receipts increased 106 percent between 1980 and 1990, six percentage points faster than GNP (Figure 2A).

Travel industry receipts increased 9.4 percent in 1990, the highest rate of growth in three years and nearly two percentage points above this measure's long-term growth rate over the last decade (Figure 2B). Travel industry sales rose 80 percent faster than did nominal gross national product (GNP), and have increased faster than GNP during seven of the past ten years.

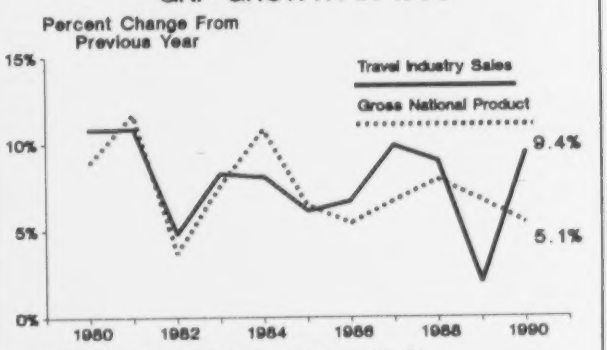
For 1991, travel industry sales as defined here are projected to increase only 3.9 percent, slightly faster than nominal GNP is projected to rise. The receipts of all sectors are forecast to grow more slowly than during 1990.

Growth in travel spending can increase the real demand for travel goods and services if prices do not rise more rapidly than spending. Since it is real demand growth that generates additional jobs and other favorable economic consequences, it is essential to separate out the inflationary effects. To arrive at a measure of real travel industry growth we have to correct current dollar measures for changes in prices.

In Figure 2C, travel industry sales in current dollars have been adjusted by certain deflators to obtain measures of real output each year, and growth over the last ten years in industry and overall output have been charted. Real output of the travel industry has risen 34 percent since 1980, four percentage points faster than real GNP has grown.

As Figure 2D indicates, the industry's

FIGURE 2B
TRAVEL INDUSTRY SALES SURPASSED
GNP GROWTH IN 1990

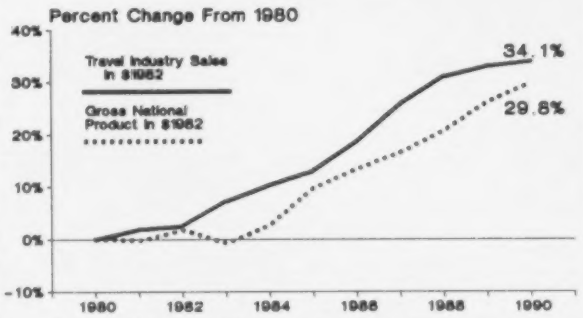


Source: U.S. Travel Data Center, Table 2A

real output growth matched or exceeded the overall economy for five of the last ten years. Travel output did not decline during the recessions in 1980-82, but did fall when petroleum prices soared in 1980. This suggests the travel industry is more vulnerable to price inflation and petroleum fuel shortages than to an overall economic recession.

Real travel industry sales grew less than one percent in 1990, the smallest increase since the 1982 recession year. This was considerably below the industry's ten-year growth rate (3 percent), and less than one-half as fast as real GNP rose.

FIGURE 2C
THE TRAVEL INDUSTRY HAS GROWN FASTER THAN REAL GNP OVER THE LAST DECADE



Source: U.S. Travel Data Center, Table 2B

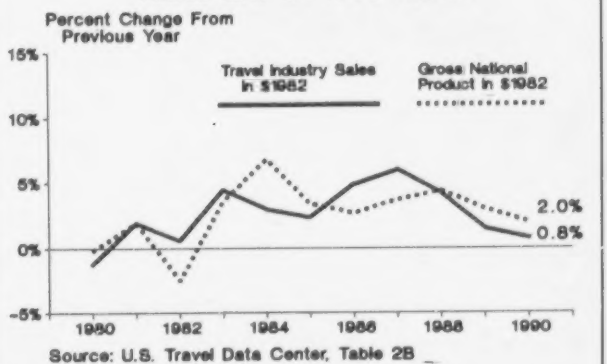
Forecasts for 1991 suggest real industry sales will rise only one-half of one percent for the year, the smallest increase since the 1980 recession year. Even so, the travel industry will outperform real GNP, which is projected to fall for the year.

Competition for Discretionary Dollars

Real industry sales have lagged the overall economy in growth for each of the last three years. One explanation for the recent sluggish performance in travel demand is travel price inflation. As Figure 3C indicates in Chapter 3, real travel demand suffers when travel prices accelerate.

Another explanation is that leisure travel away from home, which accounts for more than 80 percent of the trips Americans take, must now compete with many more alternative uses of Americans' discretionary time and money than decades ago.

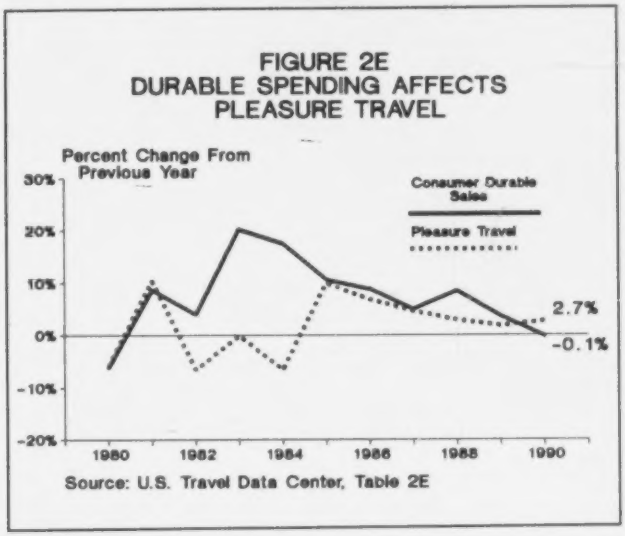
FIGURE 2D
REAL TRAVEL SALES LAGGED REAL GNP IN 1990 AGAIN



Source: U.S. Travel Data Center, Table 2B

Consumer spending on durable items, including automobiles, home furnishings and appliances, and home "do-it-yourself" materials, has grown dramatically since the last recession. (Figure 2E)

Consumer durable spending declined in 1980 in response to the brief recession that year, and rose sluggishly during the sharp 1981-82 downturn. However, consumers shook off fears of economic insecurity and boosted consumer durable spending by $100 billion in 1983-84. The 1983 advance of 20 percent was the largest since the recovery year of 1976.



Even though personal income posted strong gains as well, it did not rise fast enough to finance both a durables boom and increased pleasure travel. Rather, consumers chose to satisfy their pent-up demand for durables at the expense of maintaining previous levels of pleasure travel. Pleasure travel as measured by person-trips actually fell for three years in a row (1982-84).

The rise in consumer durable purchases tapered off in 1985 as spending increases fell more in line with personal income gains. As a result, the proportion of annual personal income spent on these durables stabilized at a little more than eleven percent for 1984-89, about the same rate as during the late 1970's. (Figure 2F)

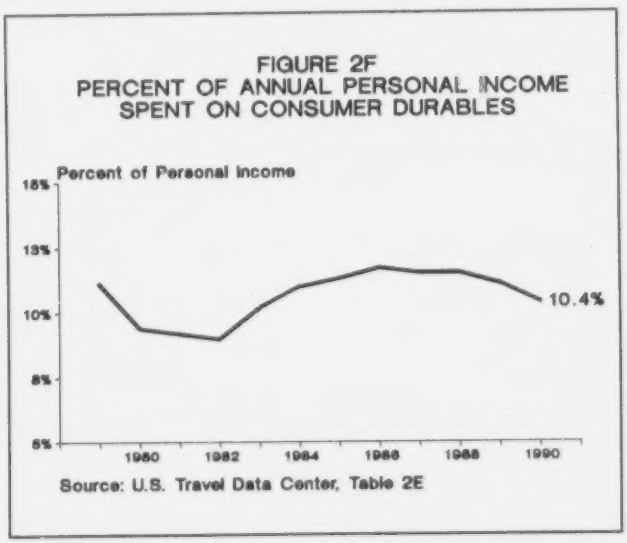
In 1990, consumer durable sales fell slightly, and comprised about ten percent of personal income, the lowest proportion since the 1983 recovery year. Consumers reacted to the gathering recession and prospects of a shooting war in the Persian Gulf by restraining these purchases, but they increased their pleasure trips marginally. As they move out of the 1990-91 recession, history tells us they may substitute the purchase of these durable goods for the purchase of more leisure travel.

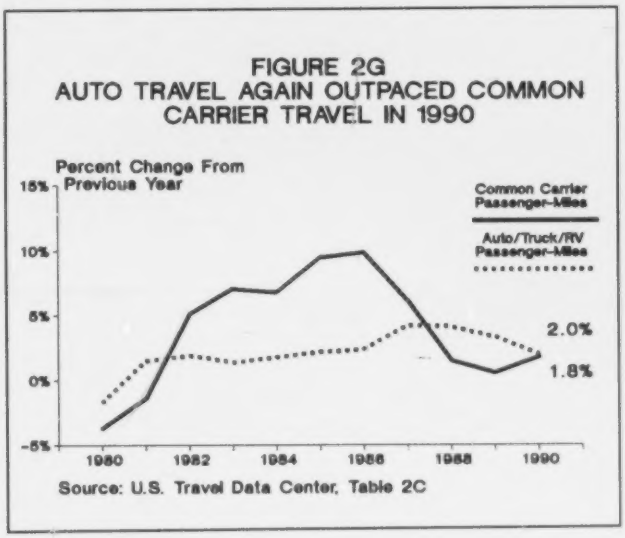
The recent proliferation of in-home entertainment options, such as video cassette recorders, cable TV, enhanced audio systems, and home computers, compete successfully with pleasure travel for leisure time. This may explain how consumers spent their off hours without expanding leisure travel much and increasing their savings as well.

Moreover, expansion of entertainment and recreation opportunities in the local community, such as urban parks and recreation areas, enclosed shopping malls, and historic and theme attractions, now means the family looking for leisure time activities does not have to travel far to find them.

Travel Transport Activity

Americans traveled nearly 1.7 trillion passengermiles on trips away from home on the nation's highways, railways and skyways during 1990. This is equivalent to 6,700 miles, or a round trip between New York





and Los Angeles for every man, woman and child in America.

Amtrak passenger-miles rose more than three percent to lead all modes in growth for the fourth year in a row. The nation's air carriers posted a two percent rise in domestic passenger- miles as higher fares and the economic recession restrained traffic. Bus traffic fell as the nationwide strike against Greyhound, the only nationwide intercity bus carrier, and subsequent declared bankruptcy reduced service.

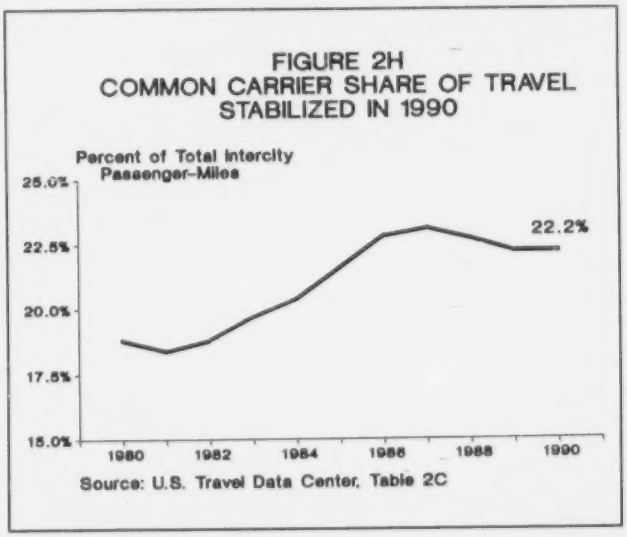
Personal motor vehicle travel away from home (including automobiles, trucks and recreational vehicles) grew two percent in 1990, the smallest increase in six years.

Over the last ten years, common carrier travel, dominated by the nation's airlines, has grown at a compound rate of 4.6 percent annually, nearly twice the rate of personal motor vehicle travel. (Figure 2G)

The common carrier share of total domestic passenger miles away from home increased annually after the recession year of 1981, reaching a peak of over 19 percent of intercity passenger miles in 1987. (Figure 2H). Since then, the proportion has dropped to the 18.3 percent level it has maintained for the last two years. These estimates of personal motor vehicle intercity passenger-miles were obtained from the Eno Transportation Foundation for the first time in this annual study, and are significantly higher than earlier estimates from other sources.

The common carrier passenger transportation share is likely to drop again in 1991. Domestic air travel, comprising more than ninety percent of common carrier traffic, is expected to fall by two percent in the year, compared to a small increase for personal motor vehicle travel. Americans are choosing to take advantage of stable gasoline prices in the current lackluster economy to travel by automobile rather than air. Moreover, the Gulf War and the terrorist threats that accompanied it dissuaded some from traveling by air, even on domestic routes.

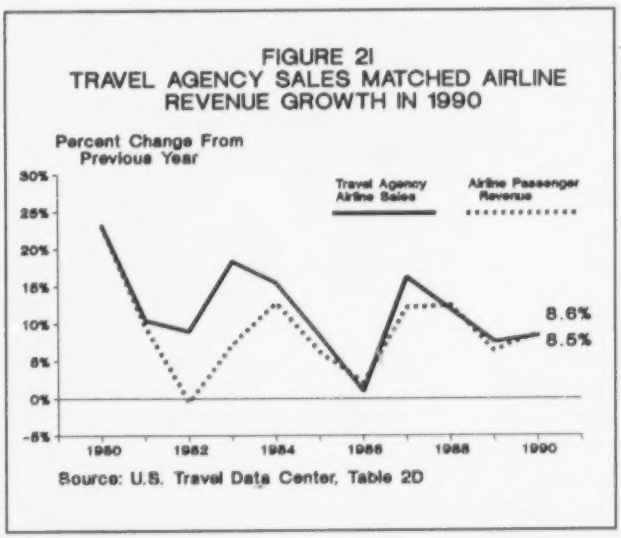
Intercity rail travel should grow about two percent in 1991, to lead all modes in



growth once again. However, it accounts for only one and one-half percent of common carrier traffic and one-half percent of total intercity passenger-miles.

The Travel Agency Distribution System

Travel agencies make travel reservations for the public and sell transportation, lodging and other travel services on behalf of the producers of these services. They are retailers: they sell travel services provided by others directly to the final customer.



Travel agency locations appointed by the nation's scheduled airlines to sell tickets now number nearly 38 thousand, twice as many as a decade ago. Employment in these agencies now exceeds 175 thousand.

The explosive growth in travel agency locations that characterized the first half of the last decade has waned. The number of these locations grew by 14 percent a year from 1979 through 1984. Since then, however, these locations have increased only half as fast. The number of agencies has apparently reached the saturation point, at least given the recent lackluster state of travel demand.

According to the Airlines Reporting Corporation, the number of agency locations increased by more than seven percent in 1990, but three-quarters of this gain was accounted for by satellite ticket printer locations. Satellite ticket printers (STPs) are free-standing computer terminals and printers capable of accepting reservations and issuing tickets. They are located outside travel agency offices but are serviced by travel agencies.

Excluding satellite locations, agency locations increased only 2.4 percent for the year. Indeed, STPs have accounted for nearly two-thirds of the growth in agency locations since they were first authorized in 1986. In 1990, the number of satellite ticket locations topped reached 5,700, fifteen percent of all locations.

Total travel sales to the public by U.S. travel agencies are estimated by the most recent Travel Weekly/Louis Harris study to have exceeded $79 billion in 1989. Agents book only ten percent of the trips Americans take away from home, but these account for nearly one-quarter of the total they spend on travel. This suggests Americans spend twice as much per trip on travel they book through agents as on travel they book directly.

Airline ticket sales through travel agencies now comprise 85 percent of total U.S. airline passenger revenue, up from 65 percent at the beginning of this decade.

Figure 2I shows the relative growth of air sales through travel agencies and total

airline passenger receipts over the last decade. Since 1980, travel agency sales have grown at a compound rate of eleven percent a year, one-third faster than airline sales. In 1990, however, travel agency airline sales rose only as fast as total sales, suggesting their percentage of the total may have plateaued for the present.

Travel is Small Business

The U.S. travel industry has played a substantial and dynamic role in the long-term growth of the American economy. Much of this must be attributed to the predominantly small-business character of the industry.

The most recent data available (Table II-10) indicate that virtually all of the nearly one-half million firms in the travel industry are classified as small businesses by the U.S. Small Business Administration.

Table II-10: Small Business Firms and Total Firms in the Travel Industry, 1987

Sector	Small business firms	Total firms	Small Business % total firms
Transportation			
Air	211	229	92.1%
Rail	0	1	0.0
Lodging			
Hotels/motels	34,668	34,950	94.6
Campgrounds,trailer parks	4,474	4,478	99.9
Foodservice			
Eating and drinking places	303,503	304,124	99.8
Entertainment/recreation			
Amusement/recreation services	76,270	76,522	98.5
Primary travel industry	419,270	420,304	99.8

Source: U.S. Travel Data Center based on data from the U.S. Bureau of the Census, Small Business Administration, Amtrak, World Aviation Directory

This has been a major strength of the travel industry. There are ample opportunities for individuals to establish their own enterprises and offer distinctive services for the traveling public. Moreover, the small business environment tends to be strongly competitive, encouraging good service and fair pricing.

Small businesses react nimbly to new markets and product opportunities, expanding consumer choice. This is especially desirable in the current consumer environment of mass markets breaking up into distinct segments seeking specialized tourism experiences.

Research has also found that small businesses are a stabilizing influence, slowing the rate of economic decline during business downturns and helping stabilize declining regional economies. But when the economy begins to expand, they are quick to hire, and outpace large firms in producing new jobs over the long term.

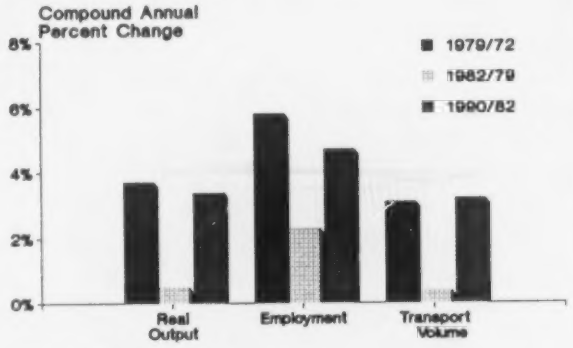
A recent study by the U.S. Bureau of Labor Statistics found that 39 percent of all self-employed workers, the smallest of the small businesses, are in service enterprises. And the most common type of self-employment here is in non-hotel lodging: bed and breakfast inns, boarding houses, trailer parks and camps, and similar establishments.

However, small businesses can be ham-

strung by their lack of financial resources and vulnerability to heavy-handed government energy, tax and regulatory policies. For example, they do not have the advertising budgets necessary to tap lucrative international visitor markets. They often find it difficult to borrow from banks on reasonable terms. And their funds for campaigning against unfair public policies are often inadequate.

Small businesses generally thrive in a deregulated economic environment and are encouraged when fair antitrust laws are vigorously enforced. Government can play a particularly vital role now by helping resolve the liability insurance crisis and by providing loan guarantees sensitive to lenders' reluctance to extend credit to small businesses.

FIGURE 2J
TRAVEL INDUSTRY PAST AND PRESENT



Source: U.S. Travel Data Center

State tax and regulatory burdens on small business have become a critical issue in a number of states. Mandatory health insurance proposals, rising workers' compensation premiums, sharp minimum wage increases, and shifts from corporate profits taxes to gross receipts levies can drive small entrepreneurs out of business and discourage new startups. Some states are substantially blunting the impact of their investment in tourism development by repressive tax and regulatory policies.

Public officials should recognize that policies that assist the travel industry encourage small business development in America. On the other hand, decisions that retard the growth of travel and the industry that serves it are most harmful to those businesses least able to withstand them.

Conclusion

Travel in America is a major economic force, providing tax revenue for thousands of governments, receipts for hundreds of thousands of business firms, and income for millions of employees. Its course contributes to the nation's growth and economic stability as well as to the quality of life our citizens enjoy. As a constructive economic force, travel and tourism deserve the thoughtful consideration of business executive and public policy makers.

There is evidence that real travel activity in America since the 1980-82 recessions has been less robust than before. As indicated in Figure 2J, two out of three measures agree that the travel industry has grown more slowly in real terms since 1982. Nineteen ninety was a particularly disappointing year from a growth standpoint.

Part of this slowdown can be attributed to a national economy in a slow-growth rut since 1987. Moreover, consumers have found in-home and near-home entertainment appealing alternatives to leisure travel away from home.

Travel demand has reached the stage of maturity. No new market segments of any significance or dramatic cost-reduction innovations loom on the horizon to engender a travel boom comparable to the three decades following World War II. In short, the future offers no prospect of soaring travel demand rescuing businesses from the consequences of following indifferent marketing strategies or from governments imposing harsh tax and regulatory burdens.

Firms that recognize business growth requires more than passive presence in the market place and governments that realize higher tax rates can inhibit visitor growth are good insurance against stagnation in domestic travel demand in America.

III. TRAVEL PRICE INFLATION

Travel and tourism are affected by price inflation in at least two ways. First, if prices rise more rapidly than personal income on a per capita basis, consumers will tend to reduce spending on discretionary items such as tourism to continue to fund necessities such as food, shelter, and energy.

Over the last decade, the cost of these necessities increased 42 percent. Per capita disposable personal income (income after payroll taxes), on the other hand, rose twice as fast, implying that consumers enjoyed an increase in purchasing power available to spend on discretionary items such as travel and tourism.

This measure of income increased 4.8 percent in 1990, versus a rise in the cost of consumer necessities of 5.9 percent. As a result, consumers were hard pressed in 1990 to finance their trips away from home, and nights spent on pleasure trips showed no growth as a result.

Projections for 1991 suggest Americans' income will match the rise in the cost of necessities, providing no growth in purchasing power for spending on discretionary items. Pleasure travel may again post no growth.

Business travel, too, is affected by rising costs of materials and services such as labor. However, the relationship is more complex. There is no single measure of business "necessities" that govern how much is available for spending other intermediate items such as business travel.

The second inflation relationship affecting travel demand is that between the cost of travel and the prices of competing items. If the costs of travel-related goods and services rise faster than the prices of other items that consumers can substitute for travel, they will be encouraged to switch to the less expensive alternatives to travel. These tend to be durable items such as audio and video equipment, swimming pools, home computers, and major home additions and renovations. They can also include nearby entertainment and recreation services, such as local theme parks, shopping malls and parks.

Business people, too, are encouraged to substitute other ways of conducting business if travel costs rise too rapidly, such as telecommunication and video-conferencing. Or they can substitute local travel for long-distance trips or attend trade shows instead of traveling to meet clients individually.

On the other hand, if travel prices rise more slowly than other goods and services, consumers and businesses will tend to purchase more travel-related items and fewer of their substitutes.

The Travel Price Index (TPI) was developed by the U.S. Travel Data Center to measure changes in the cost of travel away from home in the U.S. by consumers. It is based on U.S. Department of Labor price data collected for the monthly Consumer Price Index (CPI).

The CPI is a measure of the average change in prices paid by urban consumers for a fixed collection of goods and services. It is representative of the buying habits of about 80 percent of the noninstitutional population of the United States. In 1988, the U.S. Department of Labor revised the weights for its CPI, changed some of the

price categories, and based the series on 1982-84 = 100.

Since it is based on the CPI series incorporating a fixed set of weights, the TPI does not necessarily represent changes in the average fares, room rates, and other prices travelers actually pay. When faced with a rise in the posted price of a coach seat on an airline, for example, a traveler can choose to pay that price or opt for a lower, restricted fare requiring travel at certain times of the week and carrying a penalty for changing plans. So the price offered, which the TPI measures, may differ from the price taken as the consumer changes his purchase patterns in response to changing prices.

In 1990, the TPI, led by air fares and motor fuel pushed higher by soaring petroleum prices, rose 8.3 percent over the previous year, substantially higher than its long-term trend rate of 5.3 percent (Table III-1). This was also faster than the average cost of all items consumers buy, suggesting that some consumer alternatives to tourism became less expensive relative to travel and that some consumers purchased them instead.

Table III-1: Travel Price Inflation, 1980-1991
(compound annual percent change)

Component	Projected 1991	1990	1989	1990/80
Airline fares	9.1%	12.8%	6.0%	8.1%
Other intercity transport	4.6	3.5	4.4	7.0
Intracity transport	4.0	6.6	2.9	6.7
Motor fuel	6.9	14.4	9.4	0.4
Lodging while out of town	5.0	10.2	4.1	7.2
Food/beverages away from home	3.9	4.6	4.7	4.8
Entertainment/ recreation	5.5	6.8	7.7	5.8
Travel Price Index	8.7%	8.3%	5.2%	5.3%
Consumer Price Index	4.8	5.4	4.8	4.7

Source: U.S. Travel Data Center, Table 3A

Reinforcing this "substitution effect," travel prices outpaced the rise in per capita disposable personal income by a wide margin. Consumers suffered a decline in real personal income, a negative "income effect," encouraging them to cut back on travel away from home.

Among TPI components, the cost of motor fuels, airline fares and lodging room rates all posted double-digit increases in 1990 (Table III-1). Other items rose considerably less, moderating the impact of these three.

Also shown in Table III-1 are compound annual inflation rates over the last decade. Overall, the TPI rose about five percent a year, led by airline fares, other intercity transportation (bus and rail), and hotel/motel lodging. Motor fuel costs were a moderating factor over this period, showing negligible growth.

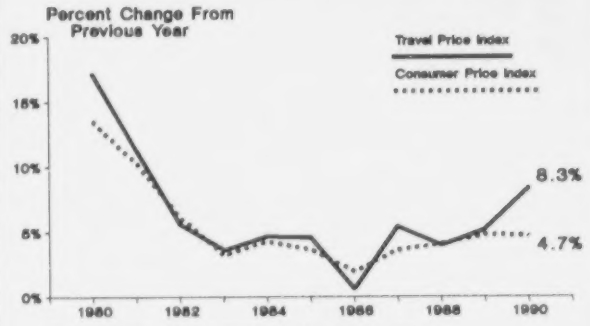
Overall, 1990 travel price inflation was three points higher than its long-term trend. Moreover, travel prices considerably outpaced overall consumer prices, both in the long-run and in 1990. Soaring crude oil prices in the wake of the Iraqi invasion pushed airline costs and motor fuel prices

up, but the increase in hotel/motel room rates is harder to fathom. The U.S. Bureau of Labor Statistics has revised its method for tracking hotel/motel room rates, and its CPI series appears to be showing rate increases far in excess of what the lodging industry is experiencing.

For 1991, airline fares are again projected to lead travel prices, although at a slower pace than the prior year. Motor fuel and lodging rates, on the other hand, are expected to rise considerably less than during 1990. As a result, overall travel prices are expected to rise 6.4 percent, below their 1990 increase but considerably higher than their long-term trend and than overall consumer prices.

In 1979-80, travel prices soared in response to rising crude oil prices resulting from the Iranian revolution's impact on world petroleum supplies. Gasoline and common carrier fuel costs loomed larger in the TPI than in the CPI, so the latter rose more slowly. In the period since 1982, travel prices and overall consumer prices have moved relatively closely together, until 1990 (Figure 3A). Then another conflict in the Middle East pushed the petroleum price-sensitive TPI considerably higher than overall consumer prices.

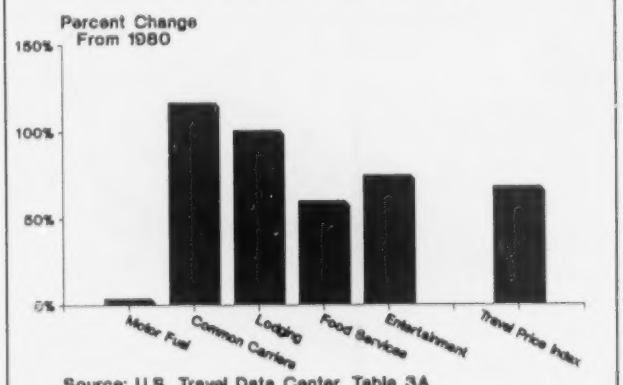
FIGURE 3A
TRAVEL PRICES ROSE ALMOST TWICE AS FAST AS CONSUMER PRICES IN 1990



Source: U.S. Travel Data Center, Table 3A

Absent the spectacular but sporadic rise and fall in crude oil prices, the long-term trend suggests travel inflation is not outrunning income growth or the prices of competing items. The 1990-91 travel price inflation will moderate in response to petroleum prices falling to their more modest, long-term levels. In the meantime, however, travel has a difficult time staying competitively priced with leisure alternatives.

FIGURE 3B
CARRIERS AND LODGING HAVE LED PRICE SURGE SINCE 1980



Source: U.S. Travel Data Center, Table 3A

The common carrier and lodging components of the industry have produced the greatest price hikes in the past decade (Figure 3B). Between the decade's beginning and end, three other components of travel prices -- gasoline, food, and entertainment/recreation -- rose considerably less and helped dampen TPI growth.

Figure 3C shows the relationship between the combined real output of the six sectors that comprise the primary travel industry in this report and an adjusted TPI including only the corresponding six price indices. The inverse relationship between

the TPI and real travel sales demonstrates how businesses and consumers respond to price fluctuations and adjust their travel behavior accordingly. Relatively low TPI rates are usually associated with higher rates of real travel industry growth, and vice versa. During periods of rapid travel price inflation, businesses and consumers seek less-expensive alternatives to business and pleasure travel, such as telecommunication and local recreation. When travel inflation moderates, they tend to increase their real travel activity as substitutes become less price-competitive.

This relationship holds true for 1990. The acceleration in the adjusted TPI was accompanied by a near halt in real travel sales. (Figure 3C)

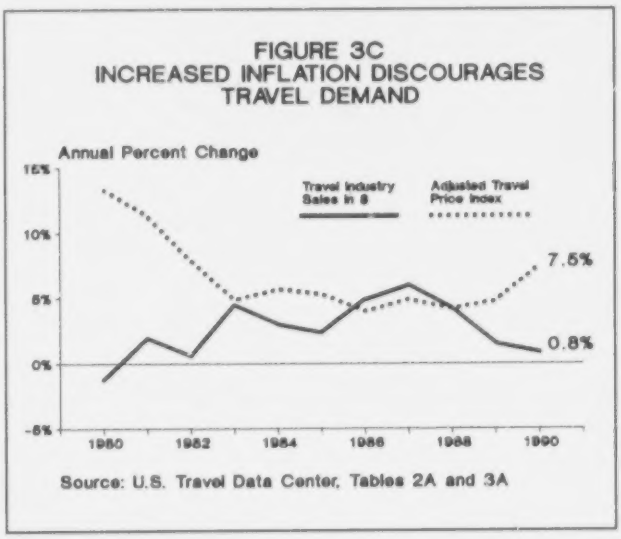


FIGURE 3C
INCREASED INFLATION DISCOURAGES TRAVEL DEMAND

Source: U.S. Travel Data Center, Tables 2A and 3A

Just as important as the relative prices effect on travel demand is the relationship of changes in travel prices to growth in personal income. If the costs of travel rise more rapidly than personal income, households will cut back on real travel activity. The other scenario also holds. If personal income increases faster, consumers are likely to spend more on travel. Also, if all consumer prices are rising or dropping rapidly in comparison to personal income, travel expenditures will tend to decrease or increase respectively.

The relationship between prices and personal income worsened in 1990. The CPI rose one-half percentage point faster than per capita disposable personal income. Consumers lost ground to inflation, and this contributed to the lackluster growth in pleasure travel. Travel prices are expected to grow 6.4 percent in 1991, outpacing the expected five-percent growth in per capita disposable personal income. This confluence will not encourage travel growth in the coming year.

But this is an aberration caused by the run-up in petroleum-related travel prices. Removing the two petroleum-sensitive components - airline fares and motor fuel - uncovers a "core" rate of travel price inflation of less than five percent in 1991. This is about the same rate the CPI is expected to rise and below travel's long-term inflation growth rate.

And the economic recovery will not necessarily boost inflation. The historical record shows that inflation rates keep dropping for six months to a year after a recession ends. Excess capacity, high-unemployment's pressure to keep wage rates down, and competition from reasonably-priced imported goods will combine to repress inflation. This is good news for the traveler and the travel industry.

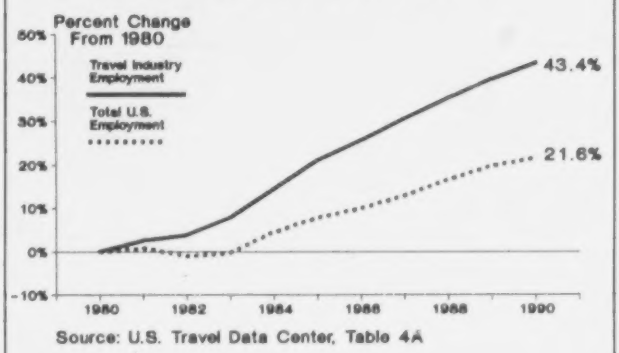
The only cloud on the horizon is government. If governments resist imposing more unfavorable changes in tax, minimum wage, and regulatory policies, they will enhance the recovery and help ensure the traveler has money to spend. This will be a tall order as they search for ways to increase revenues without aggravating their constituents.

IV. TRAVEL AND EMPLOYMENT

Travel and tourism in America directly supported 5.9 million jobs in 1990, more than five percent of total nonagricultural payroll employment in the U.S. This ranks travel and tourism as a leading private employer, second only to health services. It is surprising but true that employment generated by travel in the U.S. exceeds the populations of 80 countries.

When the employment *indirectly* generated by travel spending, as travel businesses purchases goods and services from their suppliers and *induced* by employees of these firms spending their earnings, are considered, total U.S. employment resulting tops twelve million jobs.

FIGURE 4A
TRAVEL INDUSTRY EMPLOYMENT HAS GROWN TWICE AS FAST AS TOTAL U.S. INDUSTRY EMPLOYMENT



Source: U.S. Travel Data Center, Table 4A

Over the past several decades, travel activity in the U.S. has continually created new jobs faster than the rest of the economy, to provided a disproportionate number of jobs for the traditionally disadvantaged, and produced new employment opportunities even during economic recessions.

Travel Creates New Jobs in Abundance

The travel industry outperformed the overall economy in creating new jobs over the last 19 years. Since 1972, the earliest year for which complete data are available, payroll jobs in travel-related businesses have more than doubled while total U.S. payroll employment increased by less than one-half.

The travel industry has contributed to job growth far in excess of its size. Just in the last decade travel industry employment has grown 43 percent, twice the growth rate for all U.S. industries (Figure 4A). The three million new jobs provided by the industry since 1980 comprised fifteen percent of the national increase in employment. Yet travel industry firms as defined here collectively account for only nine percent of all U.S. employment.

Travel Generates Jobs for the Disadvantaged

Minority groups, women and youth have traditionally found it more difficult than other Americans to finds jobs. The travel industry has proved itself to be an abundant source of jobs for these groups.

The U.S. travel industry offers a disproportionate number of jobs for blacks, hispanic-Americans, and women (Table IV-1). Industry employment of hispanic workers has grown dramatically from the 8.8 percent of travel industry employment just three years ago.

Table IV-1: Black, Hispanic and Female Share of Employment, 1990

Group	Employment share of the travel industry	Employment share of all U.S. industries
Blacks	11.2%	10.1%
Hispanic	10.9	7.5
Women	51.3	45.4

Source: U.S. Travel Data Center, U.S. Department of Labor; includes air transportation, eating and drinking places, hotels and motels, amusement and recreation services, and museums, art galleries and zoos.

Annual estimates are not available on youth employment by industry. However, data available from the 1980 Census of Population indicate those aged 16 to 24 years account for nearly 42 percent of employment in travel industry firms, compared to only twenty percent of total employment in the U.S. It appears it is twice as easy for youths to find jobs in travel as in other industries.

In 1990, the travel industry as defined here provided more than one million jobs for blacks and hispanic-Americans, and nearly five million jobs for women. It appears likely that the industry also employed nearly four million youths as well that year.

The U.S. Department of Labor projects that eighty percent of new entrants into the work force by the end of this century will be minorities, women and immigrants. Travel and tourism can be counted on to offer abundant job opportunities in the future for those who encounter the greatest difficulty in finding employment.

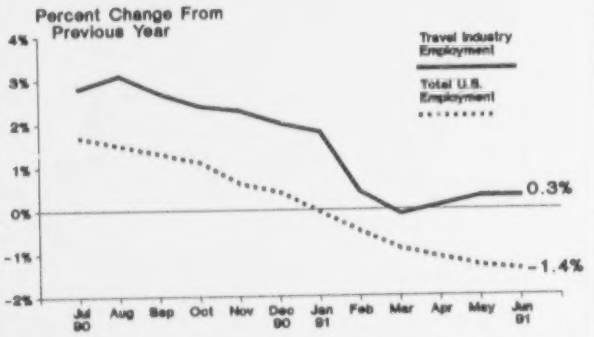
Travel Creates Jobs in Recessions

Employment in the travel industry has risen in every year since 1958 despite six economic recessions. This enviable record is not duplicated by the rest of the economy: total U.S. payroll employment declined during three out of the last 30 years.

The recession prior to the recent one ran from July 1981 through November 1982 and was one of the worst in the postwar period in terms of job loss and rising unemployment rates. By the downturn's end, U.S. payroll employment had declined 2.6 percent below the previous year.

This translated into a decline of 2.4 million jobs in the overall economy. Travel industry employment, however, was 72 thousand jobs *higher* than the previous November. Indeed, travel industry employment continued to grow throughout the

FIGURE 4B
TRAVEL INDUSTRY HAS GENERATED NEW JOBS THROUGH OUT THE 1990-91 RECESSION



Source: U.S. Travel Data Center, Table 4B

recessionary period.

The 1990-91 recession is no different.It began in July 1990 and many economists contend it ended in the spring of 1991. As Figure 4B shows, travel industry employment has risen in all but two of the first 12 months of the recession, according to the most recent U.S. Department of Labor data.

On the other hand, overall U.S. employment declined for the last five consecutive months of this period. As the Labor Department revises these data into final figures, the travel industry's decline may well disappear, as it did when the 1989 employment data were revised.

The travel industry can point to similar successes during earlier recessions: while employment in other sectors declines, travel industry employment continues to expand. Travel appears to be a counter-recessionary force in our economy, helping to offset employment losses in other industries and moderating the recession's damaging effects on jobs and income.

FIGURE 4C
TRAVEL INDUSTRY EXCELLED IN CREATING NEW JOBS IN 1990

Source: U.S. Travel Data Center, Table 4B

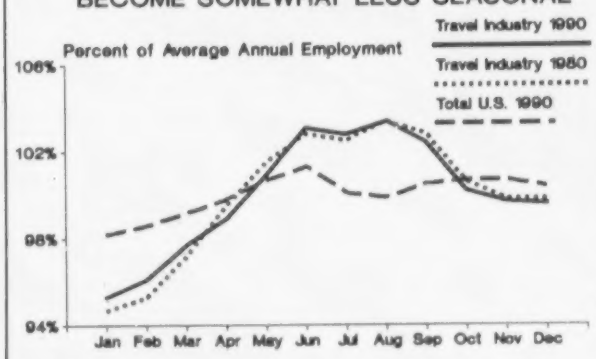
Travel Employment Outpaces Economy During Expansions

Despite the earlier recession's end in November 1982, total U.S. employment continued to decline for several months in 1983. Travel industry employment, on the other hand, rose month after month, producing healthy increases throughout the year. Since 1982, travel industry employment has grown 55 percent faster than jobs in the overall economy.

Current data from the U.S. Department of Labor indicate jobs in the travel industry grew considerably more rapidly than those in the overall economy for every month of 1990. (Figure 4C)

For the year as a whole, travel industry employment grew 2.6 percent, while employment in the overall economy rose only 1.4 percent. Jobs in the travel industry increased by only 256 thousand, the smallest increase since the 1982 recession year. However, this figure comprised one-sixth of the total increase in employment for the entire economy in 1990.

FIGURE 4D
TRAVEL INDUSTRY EMPLOYMENT HAS BECOME SOMEWHAT LESS SEASONAL

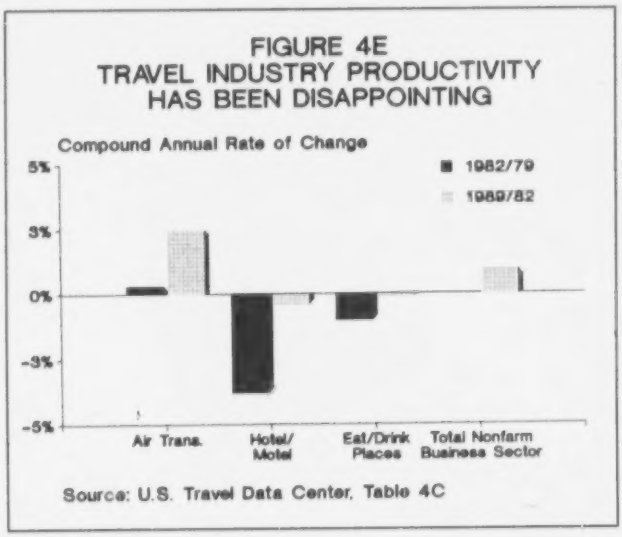


Source: U.S. Travel Data Center, Table 4B

Travel Employment Has Become Less Seasonal

The travel industry is sometimes criticized for its tendency to concentrate employment in a the summer months and provide considerably fewer jobs during the rest of the year. Figure 4D shows this is a misapprehension, at least at the national level.

During 1990, total travel industry jobs did peak in August, but at only 3.4 percent above the monthly average for the year. January and February were the low months, but were less than five percent below the annual average.



Moreover, this seasonality has moderated over the last decade. The summer peaks were lower in 1980 and the winter lows, higher, than for 1990. Growing interest in winter vacations, the trend toward long weekends and other mini-vacations, and the declining percentage of households bound by school schedules have all contributed to this reduced seasonal pattern. They are expected to continue to moderate the seasonality of U.S. travel industry employment in the coming years.

Tourism and Productivity

Productivity is the relationship of output of goods and services to the input resources, such as labor or capital equipment, used to produce them. It is usually associated with the notion of efficiency: that it is better to produce more output with the same resources, or constant output with fewer resources.

Productivity is a key concept in assessing the progress of an establishment, a business firm, an industry, or an economy. One reason is that a nation's capacity to improve its standard of living depends almost entirely on its ability to raise its output per worker. Another reason is that rising labor productivity permits real income of the workers to grow as well without inflationary consequences. Another is that productivity growth affects competitiveness, both among firms and among nations.

Productivity can be measured in a number of different ways. We can speak of the productivity of labor, of capital, of land, and of all factors of production combined. Among these, labor productivity is the most straightforward in terms of measurement. Moreover, the appropriate measures are readily at hand from the U.S. Department of Labor.

Productivity measures tend to show erratic changes year by year. This makes it difficult to determine whether an industry's output per unit of labor is growing or declining over time. Consequently, it is customary, and more revealing, to focus on multi-year comparisons of productivity measures, as presented in Figure 4E. Shown here are the trend annual rates of growth in output per unit of labor input (primarily labor

hours) for three industry sectors and the overall business sector.

The trend rate of productivity growth is shown for air transportation, hotels and motels, eating and drinking places, and the overall non-farm business economy. Agriculture is excluded because productivity growth there is nearly always higher than other sectors and its inclusion tends to distort comparisons with non-farm sectors.

The first period shown for each measure encompasses the recession years of the early 1980s. Productivity nearly always stabilizes or falls during a recession because businesses do not lay off workers as fast as their output declines in response to slowing demand. Overall U.S. productivity showed no change during this period, while air transportation posted a small annual increase during this period. Productivity per hour of labor input fell significantly for hotels and motels and eating and drinking places.

During the subsequent, long-lived expansion, productivity in the non-farm business sector rose at a trend rate of nearly one percent a year. Productivity normally grows during economic upturns as businesses resist hiring as fast as demand for their output grows. Air transportation did considerably better than the overall economy in raising output per worker during this expansion, one of the legacies of deregulation. However, lodging places and eating/drinking places produced no productivity gains during this period.

The experience of lodging places and foodservice establishments during both periods shown is not encouraging. Declining productivity leads to depressed real wages, reduced profits or outright losses, price inflation, and a diminished ability to attract capital. Time and money investments in cost-saving technology, employee training, rational design of facilities, and improved management can produce payoffs in the years ahead that will redound to owners, operators, workers, and lenders alike, and improve our competitiveness in global tourism markets.

Conclusion

Travel activity in America generates a substantial amount of the nation's employment. Over the long-term, the travel industry has created new jobs more than twice as fast as the overall economy. The industry is an abundant source of job opportunities for minorities, women and youth, groups traditionally disadvantaged in the nation's labor markets.

The travel industry continued to excel in creating new jobs in 1990 and through the recession into 1991. This was particularly gratifying as several major sectors of the economy, such as manufacturing and construction, showed considerable job loss. The travel industry helped moderate the severity of the downturn, as it has in every other recession since World War II.

Providing plentiful job opportunities for all its residents has long been the nation's top economic priority. The travel industry has stood out among the sectors of the U.S. economy in progress toward this goal for a quarter century. Monitoring the industry's future job performance and carefully removing impediments to its growth can help insure America continues to astound the world in its ability to provide new job opportunities.

However, a cautionary note is sounded by the poor productivity performance by the

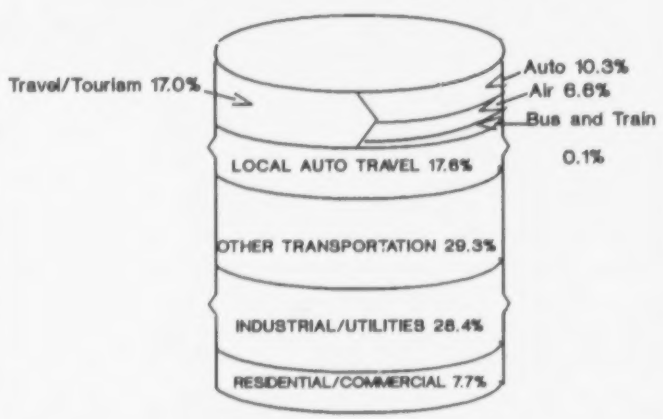
lodging and foodservice sectors of the industry. Increased efforts to implement measures that boost output per worker can pay off handsomely in terms of rising real incomes, reduced inflation, increased profits and an enhanced ability to attract capital.

V. TRAVEL AND ENERGY

Nineteen-ninety was a year of wildly fluctuating crude oil prices, as Iraq's invasion of Kuwait on August 2, 1990 raised the specter of a third major energy crisis since World War II.

The year began with oil imports hitting a 12-year high in January in the wake of an unusually cold December, accounting for 54 percent of our consumption. The prices of home heating oil and jet fuel for commercial airlines rose 43 percent over the previous January. Gasoline prices did not rise as much. By the end of April, prices for these items had receded to their year-earlier levels.

FIGURE 5A
TOURISM TRANSPORTATION ACCOUNT FOR
17% OF DOMESTIC PETROLEUM CONSUMPTION



Source: U.S. Travel Data Center, Table 5A.

Then, Iraq invaded Kuwait. The price of crude oil on the New York Mercantile exchange began to rise on August 2 and nearly doubled before reaching a peak of $41.00 on October 10. Prices continued to decline from this peak as it was clear that world production without Kuwait was adequate to meet demand: by February 1991, crude oil prices were back where they had been before the invasion.

Gasoline prices did not fully reflect these gyrations. The average price of all grades of unleaded gasoline rose only one-quarter from July to its peak in November, even though crude oil costs to refiners had doubled. Oil companies apparently elected to absorb the cost increases in lower profits rather than try to adjust retail prices to match them.

Airlines were not so fortunate. Kuwait was a major producer of kerojet fuel. The loss of this capacity met rising demands from airlines and the military to cause jet fuel to double in price as well. Fortunately, fuel prices began to decline in November, and by April 1991, the price had fallen to its year-earlier levels. However, a great deal of damage had already been done to U.S. air carrier balance sheets, as airlines were not able to increase fares and retain passengers enough to offset the higher prices. Each one cent per gallon increase in the cost of jet fuel costs the nation's scheduled air carriers $160 million at an annual rate.

The experience emphasizes the dark side of our growing dependence on foreign sources of oil. For all of 1990, net imports accounted for more than 42 percent of our consumption, the highest annual level since

1979. Being in this position intensifies the impact of world crude oil developments on the U.S. economy and the tourism industry. The tourism industry was fortunate the war did not produce a sharp drop in worldwide petroleum supplies.

For transport of Americans traveling away from home is dependent on oil for 97 percent of its fuel. Consequently, this activity and the industry that serves it are particularly sensitive to the price and availability of oil. When the cost of petroleum soars, as it did in the early 1970's and 1980's and briefly in 1990-91, the cost of transportation may leap as well. If it does not, it signifies that the tourism transportation sector is absorbing considerable losses.

Moreover, during past times of energy supply disruptions, some have called upon the tourism sector to shoulder a disproportionate share of reducing demand. Their proposals have included closing gasoline stations on weekends, rationing gasoline, and restricting the fuel available to airlines and other common carriers. If implemented, such proposals would decimate the tourism industry, throw millions out of work, and severely hamper thousands of American businesses that rely on travel as an integral part of their conduct of business. Fortunately, few raised such cries during the Persian Gulf war.

Petroleum fuels consumed by all U.S. transportation fell for the first time in eight years in 1990, and accounted for 63 percent of all petroleum products consumed in the U.S. (Figure 5A). Petroleum fuels consumed by travel and tourism transportation, on the other hand, grew 2.4 percent, and accounted for seventeen percent of total petroleum consumption in the U.S., and one-quarter of the transportation demand for fuel.

Over the last five years, tourism transportation petroleum consumption has grown 2.3 percent a year, somewhat faster than the two percent annual increase in total U.S. petroleum consumption and the average rise in all transportation consumption.

Commercial air carriers led all travel sectors with a 4.7 percent increase in energy consumption in 1990. This sector now accounts for 38 percent of the energy consumed in travel and tourism transportation, up from 31 percent in 1984.

Energy consumption by personal motor vehicles increased one percent in 1990, and accounted for almost two-thirds of the energy consumed in tourism transportation. These estimates are revised from earlier editions of this report to reflect new estimates of the consumption of gasoline by Americans on intercity trips in their personal motor vehicles.

Travel Transportation Efficiency Growing

Tourism's fuel consumption rose less than the passenger-miles it produced again in 1990. Over the last half decade, tourism transportation petroleum consumption has grown at a compound annual rate of 2.5 percent, while tourism passenger miles grew four percent a year.

This suggests travel transportation continues to grow more efficient in its use of petroleum fuels, and this is confirmed by the data: U.S. travel away from home by all modes averaged 40.4 passenger-miles per gallon in 1990, up more than eight percent from 1985.

Gasoline consumption in personal motor

vehicle tourism (automobiles, trucks, motorcycles and recreational vehicles) grew one percent in 1990. But this allowed Americans to travel two percent *more* passenger-miles away from home. U.S. air carrier passenger-miles rose 5.8 percent in 1990, while jet fuel consumption grew only 4.7 percent.

For the year, a gallon of gasoline produced nearly 49 passenger-miles in travel away from home by personal motor vehicle, up one percent from 1989 and twelve percent from five years earlier. In contrast, a gallon of airline fuel produced 28 passenger-miles, no change from the previous year. Of course, air travelers save considerable time and effort in choosing to fly rather than drive to their destinations.

Dependence on Foreign Sources

America's dependence on foreign oil reached an eleven-year annual high in 1990 as we imported 7.2 million barrels of crude oil and products per day, up 53 percent from 1985. Oil imports accounted for more than 42 percent of our consumption at a cost of nearly $62 billion as domestic crude production dropped by more than one-half million barrels a day.

Moreover, the 17-percent decrease in domestic refining capacity since 1981 and concomitant decline in domestic production make the U.S. oil market particularly sensitive to disruptions and wide price swings, as occurred during the Persian Gulf war.

While we would all like to ameliorate the effects of such international developments, we should guard against cures that would prove worse than the disease.

For example, there is continuing pressure for the government to "do something" about rising petroleum prices, such as freezing them. However, preventing supply and demand from determining the price of oil products eliminates the stimulus rising prices gives to finding new ways to conserve energy. After all, the tripling of world oil prices in the 1970s generated a decline in the amount of petroleum consumed per dollar of GNP that continues today.

Moreover, artificially low prices aggravate shortages by stimulating demand and discouraging the search for new oil fields.

Pressures to mandate energy efficiency through raising the Corporate Average Fuel Economy standard for new automobiles has disquieting side effects as well. The Federal Trade Commission estimates that reaching the current standard of 27.5 miles per gallon for manufacturers' fleets cost the economy $4 for every gallon of gasoline saved. Raising the standard to 40 miles per gallon would force manufacturers to produce smaller cars to reduce auto weight, and could translate into an extra 2,200 to 3,900 fatalities a year, according to a 1988 study.

In brief, there is danger in adopting panic measures to deal with petroleum price gyrations that the Persian Gulf war generated. These proved to be short-lived, as market forces worked to stimulate production and allocate supplies. Instead, encouraging industry efforts to improve the energy efficiency of manufacturing, automobiles and other transport vehicles, and housing and consumer appliances can moderate the effects of world petroleum swings on the American economy and life style.

Long-term projections of oil prices vary widely, but a number of these center on the cost of crude rising as much as four-to-five

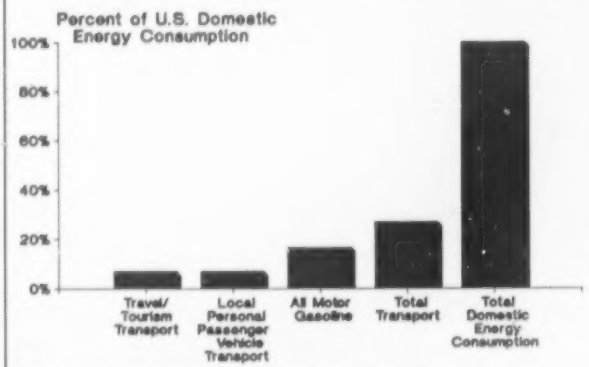
percent a year faster than overall inflation over the next ten years. This would price today's $20 barrel of oil at around $30 in 1990 dollars in the year 2000.

But major new oil discoveries could repress this trend. In 1989, the world discovered five and one-half times as much oil as it produced, according to the U.S. Department of Energy. And higher prices are a powerful incentive for expanded discovery efforts and development of new energy sources.

Conclusion

Travel and tourism transportation by all modes comprised only seven percent of the nation's travel domestic energy demand in 1990, virtually unchanged from 1985. (Figure 5B). Travel transportation fuel requirements are considerably less than other sectors, yet they support a substantial amount of economic activity.

FIGURE 5B
TRAVEL AWAY FROM HOME COMPRISED ONLY 7% OF DOMESTIC ENERGY DEMAND IN 1990



Source: U.S. Travel Data Center, Table 5B

Travel's beneficial roles in the U.S. economy and the American lifestyle are jeopardized by wide swings in petroleum prices and forced declines in the availability of petroleum fuels. The short-term outlook is relatively benign: most analysts expect oil to be plentiful through 1992, with prices stabilized around $21-22 a barrel, about the same level that prevailed before the Iraq invasion. If the past is any guide to the future, long-term petroleum supply developments will be shaped more by political events, such as war, terrorism and taxation.

In short, travel and tourism activity requires a small amount of energy at reasonable prices to make a major contribution to our economic welfare and quality of life. In times of concern over petroleum imports or shortages, little can be saved by drastically curtailing travel away from home or by attempting to mandate the cost of petroleum products. Rather, national efforts to encourage efficiency, promote conservation, and increase domestic oil production would go much further toward meeting our energy objectives, and our economic growth and development goals as well.

VI. INTERNATIONAL TRAVEL TRENDS

During the first half of 1990, the dollar was quite stable against other major currencies as economic growth throughout the world moderated.

After mid-year, however, the dollar began to fall in value of other currencies, and by the end of 1990, it was worth 20 percent less in Europe and ten percent less in Japan. This tended to retard U.S. travel abroad while reducing the costs of visiting the U.S. for foreign residents.

The exchange rate swings with our neighbors' currencies, however, were different. The U.S. dollar depreciated slightly against the Canadian one, while it bought ten percent more Mexican pesos at 1990's end than a year earlier.

The major development affecting worldwide travel in 1990, however, was not an economic one. Iraq's invasion of Kuwait sent a chill through international travel markets as the world wondered how the major world powers would react. In addition, the break up of the Soviet Union and armed conflicts in parts of Eastern Europe also dampened international travel enthusiasm.

Nevertheless, the number of foreign visitors in the U.S. grew nearly seven percent in 1990, the same rate as the year before and somewhat above the growth rate over the past six years. U.S. travel to foreign countries also increased: up 4.4 percent. This was three time the 1989 rate and somewhat faster than the long-term trend. The major impact of the Gulf war would not make itself known until 1991, when the United Nations' forces began their offensive.

Towards the end of 1991, the dollar has improved about ten percent against European currencies. This is remarkable given the decline in U.S. interest rates engineered by the Federal Reserve in the name of stimulating the economy. This stimulus to U.S. travel abroad must contend with the sluggish economic recovery and rising consumer concern over their near-term income prospects. As a result, U.S. citizen departures to other countries are expected to show a three percent decline for the year, while foreign arrivals are projected to grow six percent.

Accounting for International Travel Spending

The U.S. Department of Commerce maintains the international travel and transportation account as part of its balance of payments system. This account includes *travel* receipts and payments as well as *transportation* expenses. The former includes the money foreign visitors spend in the U.S. and what U.S. residents spend in the foreign countries. The international transportation account, on the other hand, comprises U.S. air carrier receipts of passenger fares from foreign residents, and the payments of U.S. residents to foreign air carriers for international travel. U.S. expenditures for travel on U.S. international airlines are excluded from these accounts, as is foreign resident spending on non-U.S. air carrier fares.

Contrary to some analyses, this *Review* discusses the *travel* account separately from the *transportation*, or passenger fare, account because they have dramatically different impacts on the U.S. economy. When foreign visitors spend money on goods and services

in the U.S., they directly expand U.S. income, employment and tax revenues in the same way that domestic travel spending does. These effects have been described in the Data Center's Travel Economic Impact Model for a decade and a half and are well known.

In contrast, the benefits *to the U.S. economy* of foreign resident spending on U.S. airline fares are not self-evident. When a resident of Britain buys a ticket for a United Airlines flight to the U.S., he contributes to a nominal surplus in the U.S. international transportation account. But he may be helping to employ British citizens working for the airline, financing the carrier's jet fuel purchases from British suppliers, and contributing to paying landing fees at a British airport. There may be very little impact, positive or negative, on the U.S. economy as a result.

Moreover, the interpretation of the U.S. balance on the international travel account is far different from the significance of the balance on the international transportation account. A surplus in the former generally means that international travel is making a net contribution to U.S. income, employment and tax revenue. A surplus in the transportation account, on the other hand, may translate into a net benefit to the U.S. or it may not, depending on whether the recipient air carrier spends those receipts in the U.S. economy or in another one.

Table VI-1: Measures of Foreign Visitors' Economic Contribution in the United States, 1990 (preliminary)

Travel Expenditures	$40.6 billion
Travel-generated Payroll	$10.5 billion
Travel-generated Employment	870 thousand jobs
Travel-generated Tax Revenue	$5.5 billion
Federal	$3.1 billion
State	$1.6 billion
Local	$800 million

Source: U.S. Travel Data Center, U.S. Travel and Tourism Administration

Data provided by Japan Airlines (JAL) illustrate this conundrum. In 1990, this carrier earned $717 million from carrying U.S. passengers and cargo on its international routes. However, in the course of this carriage it spent $565 million in the U.S. on fuel, landing fees, salaries, maintenance and other operating expenses. So instead of costing the U.S. economy $717 million in lost output from carrying U.S. citizens, as the international transportation account would have us believe, Japan Airlines negative impact on our economy of transporting U.S. citizens was only $152 million, one-fifth as much.

Additional data from JAL indicate how unsatisfactory our international balance of payments accounts are regarding travel and tourism. Over the two full decades ending in 1990, JAL earned $5.6 billion from carrying U.S. citizens and cargo. However, when all operating expenses associated with this activity are tallied, along with purchases of aircraft, parts and engines from U.S. companies, the airline has contributed a $10.9 billion *surplus* to our international balance of payments.

At a minimum, it is crucial to separate the travel account from the transportation account in our balance of payments in order to correctly assess international tourism's impact on the U.S. economy. This is done in the following discussion. A comprehensive reckoning of tourism's overall contributions to our international receipts and pay-

ments would be even more valuable to correctly assessing our benefits from international travel.

Foreign Visitors to the U.S.

Foreign visitor expenditures in the United States, excluding international transportation, rose 15 percent in 1990 to a record $40 billion. This growth was slower than the previous year but matched the trend rate since 1984.

Employment directly supported by these visitors reached 720 thousand jobs and payroll income topped $10 billion (Table VI-1). Rising expenditures and tax rates produced double-digit increases in Federal, state, and local tax revenues generated by foreign visitor spending in the United States.

The above include only the *direct* impact of foreign visitor spending here. Research by the Data Center on the multiplier impact discussed in Chapter 2 suggests that foreign visitor spending generated 1.6 millon jobs paying $28 billion in wages and salaries in 1990, a considerable contribution to our economy.

Foreign visits to the United States totaled 39.1 million in 1990, a new record. This averages out to more than one visitor entering the U.S. every second. The number of foreign visitors to the U.S. has increased by one-half in just four years, or an absolute increase of 14 million.

In 1990, the number of visitors from Canada grew 12 percent and accounted for more than eighty percent of the overall visitor increase for the year (Table VI-2). Canada supplies more visitors to the U.S. than all overseas areas combined, and two and one-half times as many as Mexico, the second largest source of visitors to the U.S.

Table VI-2: Foreign Visitors and Their Expenditures in the U.S. for Countries and Regions, 1990

	Visitors		Visitor expenditures	
Origin Country/Region	millions	Variation from 1989	$ millions	Variation from 1989
Canada	17.262	12%	$5,690	17%
Mexico	6.761	-7	4,004	18
Overseas	15.059	8	30,885	15
Western Europe	6.460	6	12,291	15
Eastern Europe	0.199	27	344	27
Central & South America	1.740	15	3,856	19
Caribbean	1.137	3	1,349	15
Japan	3.231	5	7,694	9
Other areas	2.292	12	5,351	20
Total	39.082	7%	$40,579	15%

Note: Excludes international passenger fare payments and cruise travel; details may not add to totals due to rounding.
Source: U.S. Travel and Tourism Administration and U.S. Bureau of Economic Analysis; U.S. Department of Commerce

However, Mexican visitors spend three-quarters more per visit than Canadians traveling in the U.S. Consequently, Mexican visitor expenditures are more than seventy percent what Canadian expenditures are despite the latter's predominance in visitor volume. Mexican visitor volume fell in 1990, but expenditures soared 18 percent.

The loosening of political restrictions in Eastern Europe countries produced a 27 percent increase in visitors to lead all origin

Table VI-3: Foreign Visitors and Expenditures in the U.S. for the Top Ten Countries of Origin by Expenditures, 1990

Origin Country	Visitor Expend. ($millions)	Visitors (millions)	Expenditure per visitor
Japan	$7,694	3.231	$2,381
Canada	5,690	17.262	330
Mexico	4,004	6.761	592
United Kingdom	3,581	2.244	1,596
Germany	2,139	1.203	1,778
France	1,219	0.716	1,703
Australia	1,061	0.466	2,279
Italy	781	0.396	1,973
Netherlands	404	0.284	1,422
New Zealand	379	0.174	2,181
All countries	$40,579	39.082	$1,038

Note: Excludes international passenger fare payments and cruise travel. Details may not add to totals due to rounding.
Source: U.S. Travel and Tourism Administration and U.S. Bureau of Economic Analysis, U.S. Department of Commerce

regions. The large increases over the past several years are on a small base. However, Eastern Europe's population is forty percent of Western Europe's, suggesting economic restructuring and freedom to travel will continue to boost travel to the U.S. over the foreseeable future.

Central and South American also produced a double-digit increase in visitors for the year, and one of the highest increases in expenditures in the U.S. All regions but Eastern Europe showed visitor spending here rising more rapidly than visitor volume.

Europe has doubled the number of visitors sent to the U.S. over the last five years to lead all major regions of the world. And Japan's "Ten Million Programme," designed to boost residents' outbound travel to ten million by 1991, has been especially successful in generating additional Japanese travelers to the U.S.

On the other hand, visitors from Mexico are now only ten percent higher than five years ago. But the number visiting the interior of the U.S. has doubled, while border traffic has declined by forty percent. This explains the dramatic increase in 1990 expenditures in the U.S. despite a decline in visitors.

Our two neighboring countries account for about one-quarter of payments received from international travelers, up slightly from 1985. Expenditures here by Central and South American and Caribbean visitors have dramatically increased in share of expenditures to now comprise 18 percent.

Western Europe, on the other hand, has declined in importance of supplying visitor expenditures: from thirty percent in 1985 to 26 percent now.

Visitor spending in the U.S. has more than doubled over the last four years. Two-thirds of this increase is due to higher spending per visitor, with only one-third attributable to the growth in visitor volume.

The 1990 average visitor to the United States spent more than one thousand dollars while here, up eight percent from the previous year (Table VI-3). Those from the most distant origins shown -- Japan, Australia and New Zealand -- spent more than twice the average for all visitors. Long-distance travel tends to generate longer lengths of stay at destinations.

Those from Canada and Mexico spent the least per visit, reflecting short distances and durations for the bulk of these trips. How-

ever, Mexican visitors posted a 26-percent increase in average expenditure per visit, as this market shifts more toward interior visits and border area visits decline.

These differences reflect differing lengths of stay in the United States and varying daily expenditure patterns. Visitors from major overseas generating countries enjoyed rising exchange rates which allowed them to spend more in dollars here for a constant amount of their own currencies in 1990.

The market for travel to the U.S. has become more concentrated over the last five years. For example, the top five origin countries in terms of expenditures in the U.S. accounted for 57 percent of all visitor spending here, up from 50 percent in 1985. All ten countries shown now produce two-thirds of visitor receipts in the U.S., up six percentage points from 1985.

This has its good and bad points. Geographic market consolidation makes it easier for U.S. tourism marketers to choose target segments since the location of visitors is concentrated and well-known. From another perspective, however, becoming ever more dependent on a small number of countries for our tourism receipts makes us more vulnerable to considerable fluctuation in earnings should political, economic or social developments affect the demand for international travel in these countries.

The factors affecting foreign visitation to the United States are quite mixed for 1991-92. On the plus side, the dollar remains relatively weak and competition on Atlantic and Pacific routes improves the climate for moderately low air fares. Inflation appears to be on the decline worldwide as well. And the economy of Mexico is growing considerably faster than her northern cousins, generating additional means and motives to visit the U.S.

On the minus side, the global business recovery is faltering. Several economic indicators in Japan have fallen recently. Unemployment in most European countries is high or rising. The German central bank is dampening its economy with high interest rates in an effort to counteract the inflationary effects of reunification. Moreover, political instability in Eastern Europe may discourage Western Europe flows to the U.S.

Neither a plus nor a minus at this point is the effect of the 1992 European integration program will have on travel to the U.S.

For 1991, USTTA projects that total foreign visitor arrivals in the United States will rise six percent to 41.6 million, with another six percent increase expected in 1992 (44 million visitors). Visitation from overseas will be a bit more sluggish than from our neighbors to the north and south. South America should be a particularly good source of visitor growth as major national economies improve there.

This information on the relative size of the various markets for visit USA traffic and their value per visitor can help travel suppliers and destinations plan marketing programs that provide the highest return on money invested. The international market is growing considerably more rapidly than domestic travel, though its dollar size is currently only one-seventh that of domestic travel spending. However, the average overseas visitor spends much more per trip than the domestic U.S. traveler, offering a potentially better return on promotional investments.

U.S. Outbound Travel

United States residents boosted their spending in foreign countries by twelve percent again in 1990, to reach a record $38.7 billion. This excludes spending on transportation to and from these areas. U.S. trips to foreign countries during 1990 rose four percent for the highest growth in three years.

Table VI-4 shows the pattern of U.S. spending on travel in foreign countries during 1990. The number of U.S. trips to foreign countries in 1990 stood only 24 percent above their 1985 level, less than one-half the increase in foreign visitors to the U.S.

Table VI-4: U.S. Travelers and Their Expenditures in World Regions, 1990

Country/region visited	U.S. Travelers millions	Variation from 1989	U.S. Expenditures $ millions	Variation from 1989
Canada	12.668	0%	$3,499	3%
Mexico	14.900	4	5,999	6
Overseas	16.012	8	29,173	14
W. Europe	7.990	12	14,403	24
E. Europe	.304	-31	401	34
Central & South America	1.521	17	2,411	0
Caribbean	3.234	5	2,690	7
Japan	1.105	20	2,151	15
Other areas	1.857	-2	7,117	5
Total All Regions	43.580	4%	$38,671	12%

Note: Excludes international passenger fare payments and cruise travel. Details may not add totals due to rounding.
Source: U.S. Travel and Tourism Administration, U.S. Bureau of Economic Analysis, and U.S. Immigration and Naturalization Service

Our border neighbors garnered nearly two-thirds of all U.S. travel to foreign destinations in 1990, and Mexico edged out Canada for the second year for favorite foreign destination for U.S. travelers in terms of both visitors and expenditures. U.S. visits to Mexico rose 4 percent as a 14-percent devaluation of the peso was offset by a 27-percent increase in prices. This rate of inflation, while high by American standards, was low compared to the doubling of prices Mexico suffered in 1987 and 1988.

Travel to our northern neighbor remained flat, as the Canadian dollar rose in value and Canadian prices climbed more rapidly than U.S. prices. U.S. arrivals in Canada are down ten percent from their 1986 peak, when they were boosted by the Vancouver world's fair.

U.S. travel to the rest of the world increased eight percent, but growth varied widely according to region. Travel to Japan grew 20 percent in visitors but only fifteen percent in expenditures, suggesting shorter stays.

Travel to Europe accounts for nearly half of all U.S. overseas travel and grew nine percent in visitors but 25 percent in expenditures for the year. American trips to Eastern Europe fell by one-third, but the dramatic increase in expenditures suggests these were longer trips than before.

Over the last five years, Canada has lost share of U.S. travel expenditures while Mexico has gained, so the two together still account for one-quarter of U.S. spending. Western Europe garners 37 percent, un-

changed since 1985, while the Caribbean has lost market share to attract only seven percent of U.S. spending abroad.

USTTA projects that Americans will take 42.3 million foreign trips in 1991, down three percent. Travel to Europe will be off 16 percent for the year, as Americans responded to terrorist threats against international carriers resulting from the Persian Gulf war. Travel to Canada and Mexico will show little change from 1990.

On the average, American residents spent $887 per visit to foreign countries in 1990, excluding the cost of transportation to and from these areas (Table VI-5). This is 85 percent of what the average international visitor spent in the U.S.

Table VI-5: U.S. Travelers and Expenditures in Selected Countries, 1990

Country visited	Expend. ($ millions)	U.S. travelers (millions)	Expenditure per traveler
Mexico	$5,999	14.900	$403
United Kingdom	3,664	2.947	1,243
Canada	3,499	12.668	276
Germany	2,862	1.879	1,523
Japan	2,151	1.105	1,947
France	1,868	1.683	1,110
Italy	1,659	1.168	1,421
Australia	886	0.446	1,987
New Zealand	265	0.225	1,179
Netherlands	227	0.380	598
All countries	$38,671	43.580	$887

Note: Excludes international passenger fare payments and cruise travel.
Source: U.S. Travel and Tourism Administration and U.S. Bureau of Economic Analysis, U.S. Department of Commerce

American travelers spent the least amount in our northern neighbor as trips to Canada average shorter durations than trips overseas. They spent somewhat more per visit to Mexico, as the average trip duration tended to be longer and inflation grew six times as fast as in Canada.

United States travelers to Australia spent more per visit than in any other area in 1990. This average topped $1,900, more than double U.S. per-visitor expenditures in the rest of the world and 23 percent above 1989's average. U.S. spending in Japan fell four percent for the year and nearly matched that in Australia.

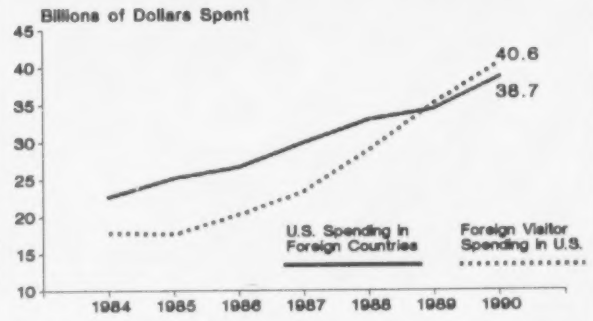
U.S. traveler spending in the top six destination countries accounted for 52 percent of all these expenditures, up slightly from five years earlier.

France, now in sixth place in market share of U.S. travel expenditures, is an interesting case. The 1989 bicentennial of the French revolution boosted U.S. arrivals 45 percent for the year. In 1990, these arrivals increased another thirteen percent, while spending grew 20 percent. This contradicts the normal pattern, where national events boost travel to the host country for a single year, and then it drops to trend levels thereafter. The explanation appears to be that U.S. travel to France fell precipitously in 1986 and 1987, and the growth in 1989-90 merely returns these visits to their 1985 level.

International Travel Balances

Since World War II, government estimates have suggested our international travel account -- foreign travel expenditures in the U.S. less U.S. resident travel expenditures in

FIGURE 6A
U.S. INTERNATIONAL TRAVEL SPENDING SURPLUS CONTINUES TO GROW



Source: U.S. Travel Data Center, Table 6A

foreign countries -- has been in chronic deficit. Now, according to new estimates by the Bureau of Economic Analysis, the U.S. enjoyed its first surplus in this account in 1989.

This surplus tripled in 1990, as receipts from foreign visitors grew by $5.4 billion while U.S. travel spending in other countries rose by three-quarters this amount (Figure 6A).

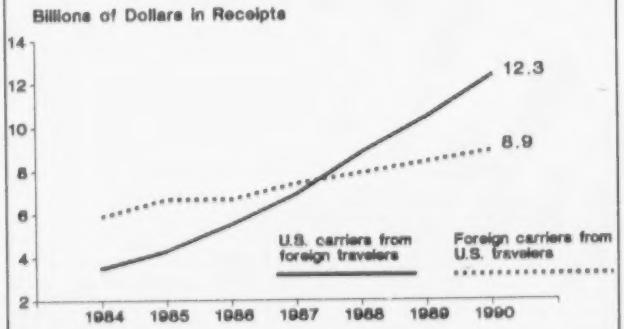
This 137-percent increase in our international travel payments surplus compares to a thirteen-percent drop in the overall U.S. trade balance on goods and services. Indeed, the travel account contributed one-quarter of the improvement in our trade balance in 1989 although it accounts for less than five percent of our international goods and services receipts.

Our travel deficit grew during the 1984-85 period as the U.S. dollar rose to a peak in its power to purchase foreign currencies in February, 1985. This made it more expensive for foreign residents to visit the U.S. but less expensive for Americans to visit foreign destinations. Thereafter, the dollar fell, making travel to the U.S. less expensive for residents of our major generating countries and, conversely, making U.S. travel abroad more costly. The deficit has fallen steadily from its 1985 peak of $7.5 billion as U.S. travel to foreign destinations grew very little and Visit USA traffic soared.

Unless the dollar strengthens again, the U.S. economy booms or the other industrial nations enter a recession, we can expect a larger surplus in the international travel account in 1991. How rapidly this surplus grows will depend in part upon how much and how wisely the federal government invests in building the Visit U.S.A. market.

The United States international transportation or passenger fare deficit is the difference between the United States passenger payments to foreign carriers and receipts of United States carriers for transportation of foreign visitors to and from the United States (Figure 6B). This deficit turned to surplus for the first time in 1988, according to revised estimates from the U.S. Bureau of Economic Analysis.

FIGURE 6B
U.S. INTERNATIONAL TRANSPORTATION ACCOUNT SURPLUS GROWS



Source: U.S. Travel Data Center, Table 6B

In 1984, the international passenger transportation deficit topped $2.3 billion. Since then, U.S. international transportation receipts have grown an average of 23 percent a year, while U.S. traveler fare payments to non-U.S. carriers have grown only one-third as fast. U.S. carriers have aggressively opened new routes and added capacity in the North Atlantic and Pacific markets and have been able to retain U.S. international travelers as well as attract more non-U.S. tourists.

This surplus on the international passenger transportation account indicates U.S. carriers are competing more effectively for international travelers than earlier in the decade. It is not yet possible to clearly discern the nature of the net contribution this makes to the U.S. economy, as foreign carriers purchase U.S. goods and services while U.S. carriers make similar purchases from foreign economies.

International Market Share

The U.S. share of international travel receipts declined from the peak it reached in 1989 as world receipts grew 23 percent but U.S. earnings grew only two-thirds as fast (Figure 6C). Foreign arrivals in the U.S. grew six percent, about the same rate as for the world. In short, "visit USA" traffic grew more slowly than worldwide international travel in 1990.

The U.S. seems to have settled into a rut of garnering about one-sixth of the world's international travel receipts and one-eleventh of its arrivals. There is no reason to believe we can do no better. Given the wealth of our travel attractions, both natural and manmade, and the diversity of our cultures, aggressive tourism marketing efforts could considerably increase our share of the world's tourism market above where it has now settled.

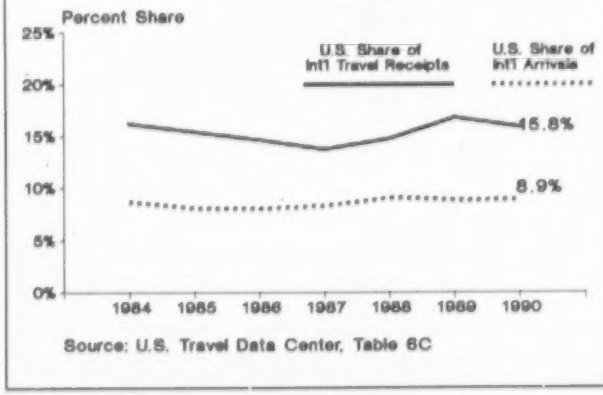
Meager Federal Commitment to Travel Market Development

Such aggressive marketing assumes a reversal of our declining national presence in world tourism markets. After peaking at more than $14 million in fiscal 1977, federal government resources devoted to international travel development fell to a low of $7.6 million in fiscal 1982 and 1983, and just returned to the earlier high at $14.3 million in fiscal 1990.

If we use the increase in overall consumer prices to represent inflation since 1977, the federal government is now devoting less than one-half the real financial resources to developing visit USA markets that it did twelve years ago.

And this decline in real investment in visitor marketing has occurred while competition for international visitors has grown more intense. Now, more than 170 other

FIGURE 6C
U.S. SHARE OF INTERNATIONAL TOURISM DECLINED IN 1990



Source: U.S. Travel Data Center, Table 6C

Table VI-6: Top Ten Countries of the World in International Visitor Receipts, 1990

Rank	Country	Visitor receipts ($ millions)	Cents spent on promotion per dollar received
1	U.S.	$40,579	0.04 cent
2	France	21,651	0.9
3	Italy	19,742	5.9
4	Spain	18,683	1.4
5	Unit. King.	14,998	0.4
6	Austria	13,017	0.5
7	Germany	10,683	0.3
8	Switzerland	6,828	N/A
9	Canada	6,374	0.4
10	Mexico	5,324	1.8

NA = not available
Source: U.S. Travel Data Center, Tables 6D and 6E

national governments compete for this lucrative business. Indeed, nearly 100 foreign governments operate offices in the United States to develop the market for American travel abroad. In contrast, USTTA operates offices in only nine foreign countries.

The United States lags far behind other countries in national government resources devoted to international travel development (Figure 6D). According to the Travel and Tourism Government Affairs Council, 27 other governments spent more on tourism development than the United States did in 1990. Indeed, for the each of the last six years, Canada has spent more than this in the U.S. market alone.

The United States ranks first among nations in international visitor receipts (Table VI-6). Yet our central government invests a dismal four one-hundredths of a cent in tourism promotion per dollar received from foreign visitors. Even India, ranking 28 in international visitor receipts, invests more than a cent on market development per dollar received.

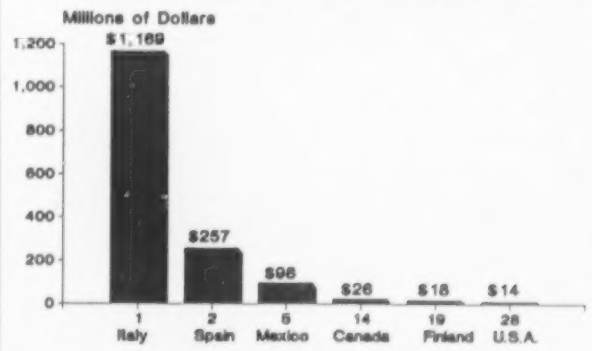
It is difficult to believe more than two dozen other countries are mistaken in devoting more of their central government budgets to financing tourism development than we do. It is more likely it is the U.S. that is out of step.

Regional Stake in International Tourism

The 1989 foreign visitor expenditure study conducted by the Data Center for the U.S. Travel and Tourism Administration permits estimates for only five Census divisions of the U.S. (Figure 6E). Expenditures ranged from more than $11 billion in the Pacific region to $2.5 billion in the Mountain region.

Additional data from USTTA's in- flight surveys indicate that every state received foreign visitors during the year, from Mississippi with 55 thousand to Californian with nearly 7.2 million. Indeed, all regional economies are favorably affected by foreign visitor spending. What is more, foreign visi-

FIGURE 6D
U.S. RANKS 28TH IN NATIONAL GOVERNMENT TOURISM SPENDING



Source: U.S. Travel Data Center, Table 6D

tors could contribute significantly more than they now do to economic development in these areas if the U.S. government mounted an aggressive, targeted international tourism marketing program.

We cannot expect state and local agencies and private enterprises in these regions to develop international visitor markets alone. The private sector, predominantly small business in nature, generally cannot afford the considerable costs of taking effective positions in foreign markets. Moreover, they often lack the expertise required.

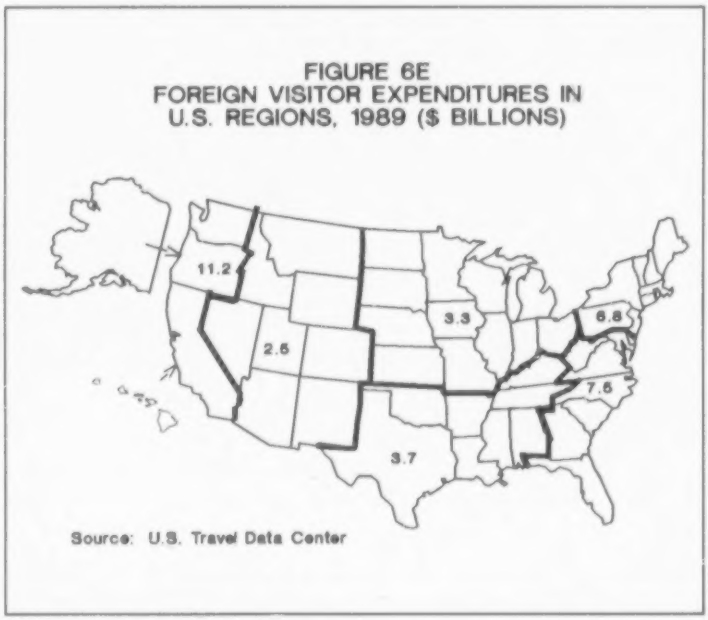


FIGURE 6E
FOREIGN VISITOR EXPENDITURES IN U.S. REGIONS, 1989 ($ BILLIONS)

Source: U.S. Travel Data Center

Rather the federal government, with its commitment to balanced economic growth and small business prosperity and its familiarity with operating in foreign business environments, should take a more responsible position. A U.S. Travel and Tourism Administration budget large enough to raise us out of our cellar position in international travel market development is a sound investment in our nation's economic health.

Conclusion

Foreign visitor spending in the U.S. grew more than twice as fast as domestic spending during the last decade and has doubled in just the last four years. Each foreign visitor spends seven times as much as the average U.S. traveler to domestic destinations. In short, the international tourism market is a lucrative one for the U.S., stimulating economic growth, jobs and income.

To a major extent, growth in this market is determined by factors outside marketers' control. World economic expansion, the course of exchange rates, relative price inflation in major countries, and political factors can overwhelm marketing programs in the magnitude of their influence.

Nevertheless, dollars spent to develop the Visit USA market are sound investments for business firms, cities, state governments and the federal government. They build positive images of the U.S. as a destination that serve as a foundation for long-term growth. And they work at the margin to persuade foreign residents to spend their holidays here. Moreover, there appears no other way to pry us loose from the share of world markets we have been stuck at for the last half decade.

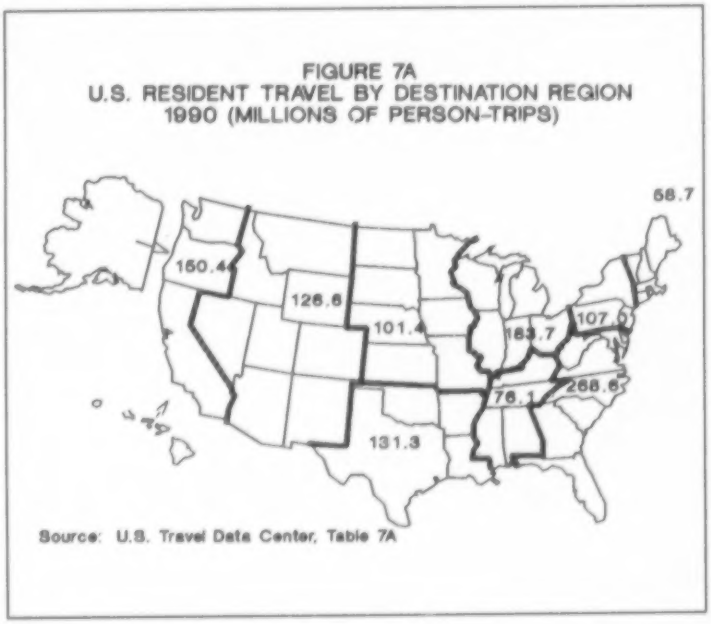
In short, our nation's economy benefits from a growing Visit USA market. But natural factors alone will not ensure this market contributes as much to our economic prosperity as it can with proper management. We can expand these benefits by sound

investment in the international tourism market by all levels of government. And the federal government should play a leadership role in developing foreign markets for the benefit of American workers and businesses.

VII. REGIONAL TRAVEL PATTERNS

Americans actively travel to destinations away from home in their own country. The U.S. Travel Data Center estimates that in 1990, Americans took more than 1.2 billion person-trips within the U.S. to places 100 miles or more away from home. These include trips for business or pleasure, in all seasons, and in all regions of the country.

Figure 7A shows 1990 travel away from home to each of the nine regions defined by the U.S. Bureau of the Census, according to the Data Center's National Travel Survey.



The South Atlantic region continues to be the most popular regional travel destination by far, attracting nearly one-quarter of all U.S. domestic trips during 1990. The East North Central region around the Great Lakes took second place, followed by the Pacific region.

New England, however, enjoyed the greatest growth among all regions, growing 28 percent in person-trips over the previous year. However, it still remained the smallest travel region, with only five percent of domestic person-trips.

The East North Central and Mountain regions also posted double-digit rates of growth in 1990.

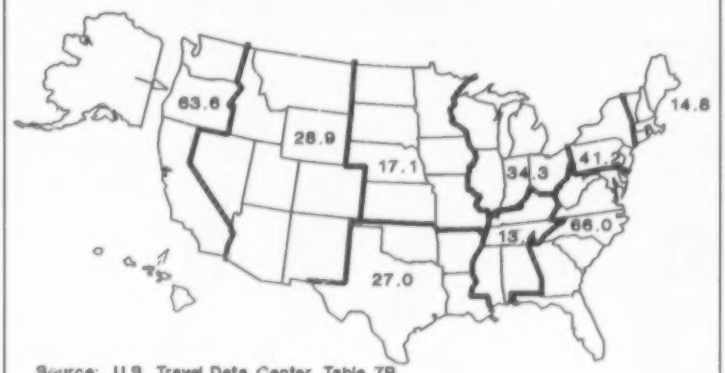
The Middle Atlantic region declined in U.S. domestic travel, down nearly 12 percent from 1989. This follows a rapid increase in trips the previous year.

Regional Economic Impact

Travel's economic contribution begins with expenditures in a region. Travel spending depends not only on the number of trips to a region but the number of days spent there and the eating, lodging, amusement, and transportation habits of visitors. The Data Center's Travel Economic Impact Model combines estimates of these factors to produce annual measures of employment, income and tax revenue generated by travelers in an area.

U.S. resident travel expenditures for 1989 in each region are shown in Figure 7B. The South Atlantic region, ranking first in travelers, also holds first place in expenditures with over one-fifth of the total. The Pacific region and the Middle Atlantic regions

FIGURE 7B
U.S. TRAVEL EXPENDITURES
IN U.S. REGIONS, 1989 ($ BILLIONS)



Source: U.S. Travel Data Center, Table 7B

followed in second and third places, respectively.

Travelers in the East South Central region (Alabama, Kentucky, Mississippi and Tennessee) spent the least -- less than four percent of the U.S. total -- but still more than thirteen billion dollars.

Individual states and cities as well as regions benefit from travel and tourism activity. Indeed, travel contributes to the economies of virtually all local areas in the nation. The U.S. Travel Data Center has conducted studies of travel's economic impact on more than 1,900 of the nation's 3,139 counties and county equivalents since 1978. In only three of these counties has it found that travel made no measurable economic contribution. Few industries that can boast of such universal economic benefits.

One of the most important economic effects of travel is the employment it generates, and Figure 7C shows the regional distribution of the five million jobs directly attributable to travel in 1989.

The South Atlantic region led this category, as it did in travelers and expenditures, with more than 1.1 million travel- generated jobs, 22 percent of the total. The Pacific region held second place, as it did with travelers and expenditures, also showing more than one million travel-generated jobs. New England showed the least such employment of any region, but still boasted 233 thousand travel-related jobs.

These absolute estimates do not necessarily represent how important travel activity is to a region in providing jobs and income. For example, the Mountain region, with only five percent of U.S. jobs generated by travel and tourism, is most dependent on it for employment. Nearly one job in ten there is directly generated by travel spending, a

FIGURE 7C
EMPLOYMENT GENERATED BY U.S. TRAVELERS
IN U.S. REGIONS, 1989 (THOUSANDS)

Source: U.S. Travel Data Center, Table 7B

higher percentage than any other region.

Major industrial regions with their diverse economies, such as the East North Central, New England and Middle Atlantic regions, demonstrate the least dependence on travel and tourism for employment (Figure 7C). However, these regions still have a critical interest in the growth and prosperity of the travel industry as traditional sources of employment decline.

As an employer, the travel industry is a powerful economic development force in most states. Data Center studies show that travel and tourism generate more jobs than any other private industry in nine states and is among the top three private employers in 29 states. In only one state does travel-related employment rank lower than eighth among the 69 private sector industries studied.

In every section of the country, public officials and business executives concerned with regional economic development should promote policies that encourage travel development and avoid those that impede tourism's unique abilities to stimulate a region's employment and economic development. And they should take advantage of our nation's outstanding transportation and hospitality infrastructure and develop local resources that can attract travelers and encourage them to stay.

Table VII-1 shows the annual return to the average U.S. community from investing in programs that bring in an additional 100 visitors per day. These additional visitors directly contribute to the economic vitality of the community through their expenditures.

Table VII-1: Annual Impact of 100 Additional Visitors a Day on the Average U.S. Community, 1990 preliminary

Direct impact	Total impact*
$1,463,000 in retail and service industry sales to visitors	$2,780,000 in business receipts
$332,000 in wages and salaries	$768,000 in wages and salaries
29 new travel industry jobs providing additional income for 23 households with 61 residents	67 new jobs providing additional income for 52 households with 141 residents
$116,000 in state and local tax revenue, enough to support 22 school children	$189,000 in state and local tax revenue, enough to support 35 school children
Two more retail or service establishments	Four more retail or service establishments

*includes direct, indirect, and induced impact
Source: U.S. Travel Data Center

And as their expenditures become business receipts, they generate additional purchases by businesses and employees, and additional income to the residents of the community. In the process, jobs and tax revenue are produced.

These estimates are illustrative of the benefits that can accrue to those communities that include travel and tourism development programs in their overall economic development strategies.

State governments have traditionally been quick to recognize tourism's economic development potential. Since 1983, states have doubled their tourism promotion and development budgets to top $339 million in fiscal 1991. The average state spent $2.4 million on advertising and more than $6.8 million on tourism development overall.

State fiscal conditions have tightened considerably over the last several years, with revenue growth falling behind expenditure growth. One result is that state tourism development budgets grew less than five percent in fiscal 1991, compared to the 12 percent annual average increase over the previous five years.

Ten states plan to cut their tourism promotion expenditures in fiscal 1991, led by Alaska with a reduction of nearly one-third from the previous year. The Mid-Atlantic and Pacific regions are projecting smaller total tourism budgets than the previous year. On the other hand, the states comprising the East North Central region around the Great Lakes are planning to increase their collective budgets by one-fifth.

Despite the relatively small increase in state tourism budgets overall, some states will invest considerably more than previous years. Louisiana will nearly double its tourism development budget in fiscal 1991, while Illinois, Vermont, New Hampshire, and West Virginia will each post increases exceeding one-third. This bodes well for economic development in these states.

VIII. CONCLUSION

The previous six chapters have detailed the close and constructive relationships among travelers away from home in this country, the industry that serves them, and national and regional economies. As travel and tourism grow, so does the travel industry, boosting contributions to income, employment and tax revenue in the process.

From another perspective, national and regional economic policies, such as tax rates, public investment, regulation, economic stabilization, and research funding, can help the travel industry grow and expand travelers' choices. Or they can become significant barriers to individuals attempting to improve their leisure lifestyles, or to businesses seeking to operate most efficiently.

This review is about choices: the ones individuals, businesses and governments have made concerning travel away from home, the services this requires, and the nature of the resulting economic benefits over the last decade. It is clear that government policies can significantly alter the way consumer preferences and business decisions shape travel demand and supply in this country, and the nature of its impact.

Recent experience suggests that American travel and tourism is not at an optimum point today: that our infrastructure is inadequate, that information consumers need is often too costly, and that our economy is performing poorly. Examination of the past decade indicates that we have done better and suggests we can do so again, if business and government pursue appropriate goals efficiently.

At the current time, there are three major obstacles to travel and tourism's reaching more positive levels of performance: the state of the economy, tax policies, and barriers to international travel and efficient tourism management.

The Continuing Economic Malaise

Despite evidence that the 1990-91 recession ended last spring, the national economy is stagnating: measures of consumer confidence have plunged, new job creation is anemic, and consumer spending has stalled.

Economic history has demonstrated that our economy is not inherently stable, but instead tends toward brief recessions from time to time. History also shows us that government cannot always prevent or even quickly redress economic downturns with the economic policy instruments at hand. At the current time, fiscal policy is effectively paralyzed by enormous budget deficits, and monetary policy has produced the lowest interest rates in nearly two decades, yet the stagnation continues.

The recession is to a major extent a reaction to the enormous speculative surge in the value of real estate and other assets in the 1980's, accompanied by an extraordinary increase in business and household debt. Firms and individuals are not enthusiastic about taking on new debt to finance additional spending: rather, they are reducing their outstanding debt balances. Households alone reduced their outstanding debt by about ten percent in 1991.

It will take awhile for these readjustments to be completed and for consumers to return

to being more aggressive actors in the nation's economic recovery. But this does not mean that all opportunities for travel growth have fled.

Employment in the transportation, public utility, government and services industries has grown since the recession began. The number of managerial/professional and service jobs has increased in this country. The central U.S. economy has improved over the last year, while the Pacific region has declined negligibly. There are other cases of growth amid national economic weakness, such as Visit USA traffic, for alert companies to take advantage of.

In short, the travel business waiting for the government to turn the economic tide to get demand growing again may be writing its own epitaph. Travel and tourism can grow to and from individual areas even as the national economy remains sluggish.

Growing Tax Burden

Of course, it would help if governments in this country did not adopt measures that hinder national economic recovery or depress pockets of growth. But, perversely, this is what many of them are doing.

The National Council of State Legislatures estimates that in 1991, thirty-four state governments raised taxes and fees by $16.2 billion. This equals a 5 percent increase, the largest percentage variation for any year since 1971, and the largest dollar increase in our history.

This comes on the heels of $18 billion in federal tax increases in 1990, and does not consider the multitude of revenue raising measures adopted by local governments. The National League of Cities estimates that 85 percent of all U.S. cities have raised taxes or fees in the past year.

Governments across the country are trying to balance their budgets by raising taxes even as revenues decline in response to the recession. This further dampens demand as businesses and consumers have less available to spend, and makes a robust economic recovery a more distant dream.

What makes these tax increases worse is that a disproportionate share appears to be falling on travel businesses and tourism activities. A simple listing of only the increased *federal* taxes on tourism services imposed in 1990-91 illustrates this theme:

- The domestic airline ticket tax increased from 8 to 10 percent;
- A new international air and cruise passengers tax of $1 per arrival;
- The gasoline excise tax increased from 9 to 14 cents per gallon;
- A new agriculture inspection fee of $2 per international arrival;
- The harbor maintenance tax on cruise line fares was increased threefold to .125 percent.

Moreover, in 1991 the federal government authorized airports to impose a "passenger facility charge" of up to $3 per departing passenger. Should many airports take advantage of this authority, an air traveler could wind up paying an additional $12 per trip.

In addition, many states and local governments have increased their taxation of hotel accommodations, restaurant meals, auto rentals, and admissions, to a ludicrous ex-

tent. For example, not content with collecting sales taxes on drinks served on any flight that took off or landed in the state, one state has gone to court to collect taxes on drinks served on flights that merely pass over the state. And in one northeastern city, a $100 hotel room draws and additional $21.25 in state and local taxes.

One important principle of sound taxation is to avoid interfering with the market and distorting economic choices by placing excess burdens on certain individuals. This is clearly being violated in the current rush to tax travel and tourism activity more heavily. It is a continuing temptation to tax visitors more heavily than residents since the former do not vote. However, residents will find *their* standard of living falling as well as fewer visitors spend fewer dollars in their regions.

Barriers to International Travel

Obstacles to international travel and tourism have fallen in recent years. For example, the European Community has outlawed exchange controls by member nations. And in October 1991, the U.S. abolished visa requirements for citizens of thirteen more countries who wish to visit here. These measures make it easier for individuals to choose international travel as part of their leisure lifestyle or conduct of business.

There is more work to be done, however. Finland plans to tax all travel abroad to raise nearly $100 million, while South Korea is curbing "unnecessary and extravagant overseas travel" by tightening up customs clearance procedures. Other countries as well continue to impose exchange and visa controls on the outbound travel of their residents in the name of insulating the national economy from tourism imports.

Such tactics appear decidedly anachronistic in today's global environment. They are opposed by consumers, affected employees and businesses, and other governments and are unlikely to last long. In the meantime, however, they limit consumer choice and depress travel businesses.

There is another type of trade barrier that has proved more tenacious: preferential treatment of national air carriers.

In 1990, the world's more than 200 air carriers lost $2.7 billion on international services alone. This suggests there are currently too many for the size of the market for international air travel. In a more market-oriented air travel environment, many of these carriers would fail and the survivors would be strengthened financially to operate high quality service and to invest in new equipment for future growth.

Instead, all too often national governments subsidize their carriers or provide preferential access to scarce landing slots. France recently agreed to inject $368 million into Air France to help finance the carrier's investment in new equipment, and allow the carrier another $180 million in fresh cash from the state-owned Banque Nationale de Paris. Moreover, according to reports, Spain's Iberia, TAP Air Portugal, Greece's Olympic Airways and Belgium's Sabena have also applied for government funds.

Such government support harms the world airline industry in at least two ways. First, it is a disincentive for a competitive restructuring that would encourage carriers to respond more rationally to market forces rather than government whim. Consumers would be better served by carriers that must

compete for their business rather than garner it by default.

Second, it would permit the more efficient carriers to reap the financial rewards due them for better service at competitive fares. These rewards would no doubt be plowed back into new and better equipment and service as they compete for market share on a level playing field. Such a healthy, competitive worldwide international airline industry would be a boon to the international traveler as well.

Our government, and others interested in the fruits of a market-oriented global economy, should stoutly resist subsidies and other measures designed to insulate one carrier from the rigors of competition.

Frustrations at government handling of this situation is based on two erroneous premises, and could lead to policies that would make conditions worse instead of better:

(1) the private economy is inherently stable, and there would be no recessions but for mistakes in public policy; (2) government can prevent and redress recession with powerful and precise economic policy instruments.

(1) is untrue because we have been having recessions for a long time, and nine since federal government took responsibility for "maximizing employment, production and purchasing power" in 1946. (2) we have to accept as untrue unless we believe government heartlessly allowed recessions to average 11 months since World War II. Fiscal policy is paralyzed given the enormous budget deficits we incurred during the expansion, and reducing interest rates proves a mixed blessing to consumers, who have always lead recoveries in the post war period: households are extraordinary net creditors, and when interest rates drop, so does the income on their interest-bearing assets: household interest receipts now account for 15 percent of personal income, up from 10 percent a decade ago.

Ignoring the fact that recessions can be expected in America, or taking refuge in the belief that government can redress them painlessly once they occur, leads to such thoughtless policies as failing to produce budget surpluses in good times that are available to finance public services during bad ones. Businesses struggle to meet obligations incurred during the good times as if there would never be bad ones.

Consumers are in a particularly sour mood given the state of the economy. This downturn, including its job losses, stagnating income, is considerably less severe than the last one (1981-82), yet consumer confidence has slidden just as far. Part of the problem is reaction to the erroneous speculative surge in real estate and other assets in the 1980s, fed by an extraordinary growth in debt. Now, consumers see the value of their houses declining for the first time in a decade or so, dampening their desire to spend or take on more debt.

The outlook for success is not very promising. For example, the 1990 federal budget agreement raised taxes, at the time estimated to total $165 billion over five years. Now, estimates indicate that 81 percent of the revenues expected will never materialize, since the economy is growing much more slowly than anticipated. And the higher federal taxes are part of the reason for lackluster growth.

APPENDIX A: BASIC TRAVEL DATA

Table 2A: Business Receipts of Selected U.S. Travel Industry Sectors, 1980-1991f

Sector	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991f
Transportation												
Air*	$23.405	$25.598	$25.488	$27.519	$31.437	$33.351	$33.846	$37.492	$41.002	43.670	46.284	46.793
Bus	1.709	1.809	1.854	1.965	2.035	1.989	1.890	1.826	2.036	2.185	2.000	2.060
Rail	0.382	0.429	0.436	0.481	0.524	0.563	0.592	0.639	0.738	0.842	0.888	0.924
Lodging												
Hotel/motel	26.832	31.572	32.749	35.897	38.917	41.837	43.300	48.200	52.400	58.138	60.490	61.700
Foodservice												
Eating and drinking places	90.058	98.118	104.593	113.281	121.321	127.949	139.415	153.461	166.860	162.195	182.044	191.100
Entertainment/recreation												
Amusement and recreation services**	20.629	23.248	24.313	26.085	27.697	29.756	32.170	34.476	37.820	39.969	44.135	46.300
Travel industry	$163.015	$180.774	$189.433	$205.228	$221.931	$235.445	$251.213	$276.094	$300.856	$306.999	$335.841	$348.896
Gross national product	$2,732.0	$3,052.6	$3,166.0	$3,405.7	$3,772.2	$4,014.9	$4,231.6	$4,515.6	$4,873.7	$5,200.8	$5,465.1	$5,667

* U.S. scheduled carriers in domestic service

** 1980-84 receipts estimated by U.S. Travel Data Center

f = forecast

Note: details may not add to totals due to rounding.

Source: U.S. Travel Data Center, based on data from the Air Transport Association of America, American Bus Association, Amtrak, National Restaurant Association, Smith Travel Research, Eno Transportation Foundation, U.S. Bureau of the Census, U.S. Bureau of Economic Analysis, and U.S. Department of Transportation.

Table 2B: Business Receipts of Selected U.S. Travel Industry Sectors in 1982 Dollars, 1980-1990
($1982 billions)

Sector	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991f
Transportation												
Air*	$24.567	$24.296	$25.488	$27.752	$30.222	$32.028	$36.397	$38.949	$39.531	$40.160	$41.035	$40.220
Bus	1.598	1.867	1.854	1.978	2.068	2.091	2.036	1.868	2.327	2.660	2.549	2.605
Rail	0.471	0.458	0.436	0.444	0.476	0.500	0.524	0.560	0.594	0.618	0.640	0.653
Lodging												
Hotel/motel	31.653	33.702	32.749	34.603	34.994	36.038	35.963	38.560	40.342	43.049	43.041	43.471
Foodservice												
Eating and drinking places	103.444	103.478	104.593	108.320	110.968	112.206	117.195	124.109	129.309	128.801	128.892	130.209
Entertainment/recreation												
Amusement and recreation services	22.957	24.428	24.313	24.911	25.211	26.086	27.116	28.227	30.049	30.462	31.485	31.800
Travel industry	$184.589	$188.228	$189.433	$198.008	$203.959	$208.950	$219.231	$232.293	$242.152	$245.750	$247.641	$248.958
Gross national product	$3,187.1	$3,248.8	$3,166.0	$3,279.1	$3,501.4	$3,618.7	$3,717.9	$3,853.7	$4,024.4	$4,144.1	$4,227.0	$4,219

* U.S. scheduled carriers in domestic service

f = forecast

Note: details may not add to totals due to rounding.

Source: U.S. Travel Data Center, based on data from the Air Transport Association of America, American Bus Association, Amtrak, National Restaurant Association, Smith Travel Research, Transportation Policy Associates, U.S. Bureau of the Census, U.S. Bureau of Economic Analysis, and U.S. Department of Transportation.

Table 2C: U.S. Domestic Intercity Transportation Activity, 1980-1991f
(billions of passenger-miles)

Sector	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991f
Common carriers												
Air*	204.4	201.4	213.6	232.2	250.7	277.8	307.9	329.2	334.2	335.2	342.5	335.7
Bus	27.4	27.1	26.9	25.6	24.6	23.8	23.7	23.0	23.1	24.0	23.0	23.5
Rail	4.5	4.4	4.2	4.2	4.8	4.8	5.0	5.4	5.7	5.9	6.1	6.2
Total	236.3	232.9	244.7	262.0	279.9	306.4	336.6	357.6	363.0	365.1	371.6	365.4
Auto/truck/RV**	1,020.8	1,035.7	1,055.7	1,070.8	1,089.7	1,113.4	1,139.9	1,187.4	1,235.9	1,277.3	1,302.9	1,309.4
Total all modes	1,257.1	1,268.5	1,300.4	1,332.9	1,369.5	1,419.8	1,476.5	1,545.0	1,598.9	1,642.4	1,674.5	1,674.7

*U.S. certificated carriers in domestic service
**data reflect Federal Highway Administration road classification system changes in 1980.
f = forecast
Note: details may not add to totals due to rounding.
Source: U.S. Travel Data Center, based on data from the Air Transport Association of America, American Bus Association, Amtrak, Federal Highway Administration, and Eno Transportation Foundation

Table 2D: U.S. Travel Agency Locations, Airline Sales and Airline Commissions, 1980-1990

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Travel agency locations*	17,339	19,203	20,962	23,059	26,037	27,304	28,933	30,169	32,497	35,160	37,807
Agency airline sales** ($ billions)	$18.1	$20.0	$21.8	$25.8	$29.8	$32.3	$32.5	$37.9	$42.4	$45.6	$49.5
Agency airline commissions ($ millions)	$1,533	$1,851	$2,061	$2,428	$2,837	$3,092	$3,164	$3,734	$4,193	$4,446	$4,917
Airline passenger revenue ($ billions)	$28.0	$30.7	$30.5	$32.7	$36.9	$39.2	$40.1	$44.9	$50.6	$53.8	$58.4

*U.S. agency locations only
**Includes credit card sales
Source: U.S. Travel Data Center, based on data from the Air Transport Association of America and Airlines Reporting Corporation.

Table 2E: Major Consumer Durable Sales and Personal Income, 1980-90

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Consumer durable sales ($ billions)											
Bldg. material & supply	$35.0	$35.7	$35.1	$41.3	$47.1	$50.8	$56.5	$61.3	$66.6	$67.0	$66.8
Motor vehicle dealers	137.7	153.0	162.9	196.0	236.7	263.1	294.5	296.8	323.8	335.3	334.0
Furniture & home furnishing	26.3	27.5	27.1	31.3	35.6	38.3	43.0	44.5	47.5	51.1	51.6
Appliance, radio & TV	14.0	15.4	15.8	19.3	21.5	25.1	27.0	27.1	30.5	32.4	33.0
Total	$213.0	$231.6	$240.9	$289.9	$340.9	$377.3	$411.1	$431.7	$468.4	$485.8	$485.4
Personal income ($ billions)	$2,258	$2,521	$2,671	$2,839	$3,109	$3,325	$3,526	$3,766	$4,071	$4,384	$4,646
Pleasure person-trips (millions)	764	643	788	796	734	807	861	902	928	948	971

Source: U.S. Travel Data Center, U.S. Bureau of the Census, and U.S. Bureau of Economic Analysis.

Table 3A: Travel Price Index and Its Components, 1980-1991f

(1982-84=100)

Component	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991f
Transportation	84.8	93.6	99.1	99.8	101.4	104.7	94.6	98.7	99.8	107.3	121.5	131.2
Airline Fares	68.0	85.6	94.4	99.8	105.8	112.5	117.1	122.8	124.2	131.8	148.4	161.9
Other Intercity Transportation*	73.1	84.2	92.0	100.0	107.9	114.7	125.5	126.7	132.6	138.5	143.3	149.9
Intracity Transportation**	89.7	85.8	95.9	99.0	105.2	107.7	115.8	119.8	121.7	125.2	133.5	138.8
Motor Fuel	97.4	108.5	102.6	99.4	97.9	98.7	77.1	80.2	80.9	88.5	101.2	108.1
Lodging While Out Of Town	75.8	84.5	94.2	99.0	106.8	114.2	118.4	125.7	132.9	138.4	152.5	160.1
Food and Beverages Away From Home	83.4	90.9	95.8	100.0	104.2	108.4	112.8	117.3	122.2	127.9	133.8	139.0
Entertainment/Recreation	83.8	88.0	93.4	100.0	106.7	112.8	117.9	124.4	127.7	137.5	146.9	155.8
Travel Price Index	81.2	90.4	95.5	98.9	103.6	108.4	108.0	114.9	119.5	125.8	138.2	144.9
Consumer Price Index	82.4	90.9	96.5	99.6	103.9	107.6	109.6	113.6	118.3	124.0	130.7	137.8

* Includes bus and rail

** Includes mass transit and taxicabs

Note: Beginning with the release of data for January 1988, the Consumer Price Index (CPI) has shifted to a new reference base of 1982-84=100. Previously the standard base year was 1967=100. The Travel Price Index (TPI) has also been updated to be compatible with the CPI rebasing.

Source: U.S. Travel Data Center, based on data from the U.S. Bureau of Labor Statistics.

Table 4A: Payroll Employment for Selected Travel Industry Sectors, 1980-1990
(thousands)

Sector	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Intercity and rural bus transportation	37.9	38.1	38.8	35.5	37.3	34.9	33.2	30.1	28.7	28.7	26.1
Air transportation	453.4	454.6	443.6	455.2	498.5	522.0	568.7	603.3	646.4	696.6	751.3
Eating and drinking places	4,625.8	4,749.5	4,831.2	5,041.8	5,368.0	5,709.2	5,916.2	6,105.8	6,285.8	6,440.4	6,585.2
Hotels, motels and tourist courts	1,037.7	1,076.4	1,082.8	1,131.1	1,221.3	1,288.9	1,337.6	1,427.8	1,505.3	1,540.1	1,595.4
Amusement and recreation services*	836.7	858.8	858.8	878.6	963.5	903.0	927.2	957.9	985.6	1,046.8	1,068.8
Travel Industry	6,992	7,177	7,265	7,542	7,990	8,459	8,781	9,124	9,452	9,771	10,027
Total U.S.	90,406	91,156	89,566	90,200	94,496	97,519	99,525	102,200	105,536	108,413	109,971

*series from 1980-87 reconstructed from historical data

Source: U.S. Travel Data Center, based on data from the U.S. Department of Labor, Bureau of Labor Statistics, EMPLOYMENT, HOURS, AND EARNINGS, UNITED STATES, 1909-1990, and SUPPLEMENT TO EMPLOYMENT, HOURS, AND EARNINGS, 1909-90, July 1991

Table 4B: Payroll Employment for Selected Travel Industry Sectors, 1989-91, Monthly, Not Seasonally Adjusted
(thousands)

Sector - 1989	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Average
Intercity and rural bus transportation	28.8	28.1	28.2	29.0	26.7	30.4	31.2	31.2	32.5	33.3	33.7	33.5	30.8
Air transportation	672.3	683.3	657.8	660.5	665.3	670.9	686.6	691.3	691.2	700.1	706.0	719.4	683.9
Eating and drinking places	6,111.5	6,161.5	6,264.4	6,305.1	6,519.1	6,636.8	6,612.6	6,635.0	6,596.5	6,449.7	6,443.7	6,452.6	6,439.0
Hotels, motels and tourist courts	1472.7	1482.7	1506.8	1531.4	1557.8	1624.4	1642.5	1643.0	1616.0	1570.8	1546.5	1541.2	1,561.3
Amusement and recreation services	922.0	936.9	963.6	1030.9	1069.7	1160.9	1185.7	1174.6	1067.9	1007.2	973.4	996.4	1,045.1
Auto rentals, without drivers	166.0	167.3	169.4	171.6	174.9	178.3	180.0	180.0	180.7	181.0	181.8	181.1	176.0
Passenger transportation arrangement	166.0	167.3	168.4	170.5	172.6	175.0	175.5	174.5	174.2	173.4	173.2	171.3	171.9
Travel industry	9,539	9,629	9,779	9,979	10,189	10,477	10,514	10,530	10,389	10,116	10,060	10,096	9,936
Total U.S.	105,953	106,370	107,026	137,045	108,545	109,226	108,182	108,248	109,053	109,547	109,990	109,977	108,329

Source: U.S. Travel Data Center, based on data from the U.S. Department of Labor, Bureau of Labor Statistics, SUPPLEMENT TO EMPLOYMENT AND EARNINGS, UNITED STATES, 1909-1990, July, 1991

Table 5A: U.S. Travel/tourism Transportation Consumption of Petroleum, 1984-90p
(millions of barrels)

Sector	1990p	1989	1988	1987	1986	1985	1984
Travel/tourism							
Commercial air transportation (1)		383.7	366.6	368.2	361.5	325.8	[illegible]
General aviation (2)		27.2	27.2	27.2	25.6	27.2	[illegible]
Intercity bus (3)		4.0	4.0	3.8	3.7	3.5	[illegible]
Amtrak (4)	2.1	2.0	1.9	1.8	1.7	1.7	1.6
Auto/truck/RV/motorcycle (5)		637.3	630.0	627.5	621.3	624.2	[illegible]
Total	1,054.3	1,029.7	1,028.6	1,013.8	982.3	941.4	927.3
Local personal passenger vehicle transportation (5)		1,090	1,097	1,100	1,106	1,103	[illegible]
Other transportation (5)		1,815	1,864	1,833	1,709	1,641	[illegible]
Total transportation (6)		3,950	3,991	3,961	3,829	3,726	[illegible]
Industrial (6)	1,563	1,554	1,598	1,553	1,492	1,469	1,503
Residential and commercial (6)		478	510	516	499	492	[illegible]
Electric utilities (6)		200	270	250	201	232	[illegible]
TOTAL PETROLEUM CONSUMPTION (6)		6,201	6,324	6,325	6,083	5,942	[illegible]

p = preliminary
*estimated at less than 0.05 percent
Note: details may not add to totals due to rounding.
Source: U.S. Travel Data Center, based on data sources below.

(1) Eno Transportation Foundation data for all certificated carriers
(2) Federal Aviation Administration
(3) Eno Transportation Foundation
(4) Amtrak
(5) Estimated by the US Travel Data Center, based Eno Transportation Foundation data.
(6) Energy Information Administration, U.S. Department of Energy

Table 5B: U.S. Domestic Consumption of Energy, 1984-90p

(quadrillion BTU)

	1990p	1989	1988	1987	1986	1985	1984
Travel/tourism transportation	5.73	5.60	5.59	5.50	5.33	5.11	5.03
Local personal passenger vehicle transportation	5.73	5.76	5.78	5.81	5.79	5.87	5.86
Motor gasoline	13.87	14.05	14.10	13.82	13.49	13.10	12.87
Transportation	22.16	22.38	22.19	21.36	20.78	20.12	19.88
Total domestic energy consumption	81.41	81.35	80.20	76.85	74.24	73.95	74.10

p = preliminary

Source: U.S. Travel Data Center, based on data from Table 5A and U.S. Department of Energy, MONTHLY ENERGY REVIEW

Table 6A: U.S. International Travel Receipts, Payments, and Balance, 1984-90
($ millions)

	1984	1985	1986	1987	1988	1989	1990
Receipts from foreign visitors in the U.S.	$17,753	$17,663	$20,273	$23,366	$28,935	$35,173	$40,579
Payments of U.S. travelers in foreign countries	22,709	25,155	26,746	30,022	33,098	34,548	38,671
Balance on travel receipts less payments	($4,956)	($7,492)	($6,473)	($6,656)	($4,163)	$625	$1,908

Note: ( ) represents deficit. Estimation method changed beginning in 1984 and earlier estimates are not comparable to these.

Source: U.S. Travel Data Center, based on data from the Bureau of Economic Analysis, U.S. Department of Commerce

Table 6B: U.S. International Transportation Receipts, Payments, and Balance, 1984-90
($ millions)

	1984	1985	1986	1987	1988	1989	1990
U.S. passenger fare receipts from foreign travelers	$3,525	$4,323	$5,457	$6,866	$8,771	$10,374	$12,251
U.S. passenger fare payments to foreign carriers	5,910	6,650	6,666	7,411	7,932	8,387	8,890
Balance on passenger fare receipts less payments	($2,385)	($2,327)	($1,209)	($545)	$839	$1,987	$3,361

Note: ( ) represents deficit.
Source: U.S. Travel Data Center, based data from the U.S. Travel and Tourism Administration, U.S. Department of Commerce

Table 6C: U.S. and World International Travel Receipts and Arrivals, 1984-90

	1984	1985	1986	1987	1988	1989	1990
International travel receipts ($ billions)*							
United States	$17.8	$17.7	$20.3	$23.4	$28.9	$35.2	$40.6
World	$110	$115	$139	$170	$197	$209	$257
International arrivals (millions)							
United States**	26.9	25.7	26.3	29.7	34.2	36.6	38.8
World	312	323	331	357	382	414	439

* excludes international passenger fare payments
p = preliminary
Source: U.S. Travel Data Center, based on data from the U.S. Travel and Tourism Administration and the World Tourism Organization

Table 6D: Expenditures by Selected National Government Tourism Organizations, 1990

Rank	Country	Expenditure ($millions)
1	Italy	$1,169.2
2	Spain	256.7
3	France	196.1
4	Korea	158.5
5	Mexico	97.8
6	Greece	94.1
7	Austria	61.4
8	Singapore	56.9
9	United Kingdom	56.3
10	Australia	44.5
11	Germany	27.0
12	New Zealand	26.9
13	Portugal	26.3
14	Canada	26.0
15	Turkey	25.0
16	Malaysia	24.5
17	India	23.4
18	Hong Kong	22.8
19	Japan	18.5
20	Finland	18.1
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.		
28	United States	$14.3

Source: World Tourism Organization, Travel and Tourism Government Affairs Council

Table 6E: Top Ten Countries in International Visitor Receipts and Promotional Spending, 1990

Country	Visitor receipts ($millions)	Government promotion spending per $US received
United States	$40,579	0.04 cent
France	21,651	0.91
Italy	19,742	5.92
Spain	18,683	1.37
United Kingdom	14,998	0.38
Austria	13,017	0.47
Germany	10,683	0.25
Switzerland	6,828	0.00
Canada	6,374	0.41
Mexico	5,324	1.84
Total of top ten	$157,879	1.26 cents

NA = not available
Source: U.S. Travel Data Center, based on data from the World Tourism Organization

Table 7A: U.S. Resident Travel by Destination Region, 1990
(millions of person-trips)

Census Regions	1990	1990/89 change
NEW ENGLAND Connecticut, Maine, Massachusetts New Hampshire, Rhode Island, Vermont	58.7	28.4%
MIDDLE ATLANTIC New Jersey, New York, Pennsylvania	107.0	-10.8%
SOUTH ATLANTIC Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina Virginia, West Virginia	268.6	-4.5%
EAST SOUTH CENTRAL Alabama, Kentucky, Mississippi, Tennessee	76.1	-3.9%
EAST NORTH CENTRAL Illinois, Indiana, Michigan, Ohio, Wisconsin	183.7	23.2%
WEST NORTH CENTRAL Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota	101.4	7.0%
WEST SOUTH CENTRAL Arkansas, Louisiana, Oklahoma, Texas	131.3	0.5%
MOUNTAIN Arizona, Colorado, Idaho, Montana, Nevada, Mew Mexico, Utah, Wyoming	126.6	11.6%
PACIFIC Alaska, California, Hawaii, Oregon, Washington	150.4	-7.6%
U.S. TOTAL	1,203.8	2.3%

Note: details may not add to totals due to rounding.
Source: U.S. Travel Data Center's National Travel Survey

Table 7B: Travel Expenditures by U.S. and Foreign Visitors and Employment Generated, by Census Region Visited, 1989

Census Regions	Travel expenditures ($ millions)	Travel-generated employment (thousands)	Share of total payroll employment (percent)
NEW ENGLAND Connecticut, Maine, Massachusetts New Hampshire, Rhode Island, Vermont	$14,769	233	3.5%
MIDDLE ATLANTIC New Jersey, New York, Pennsylvania	41,234	638	3.7%
SOUTH ATLANTIC Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina Virginia, West Virginia	65,938	1,168	6.0%
EAST SOUTH CENTRAL Alabama, Kentucky, Mississippi, Tennessee	13,403	245	4.0%
EAST NORTH CENTRAL Illinois, Indiana, Michigan, Ohio, Wisconsin	34,269	581	3.1%
WEST NORTH CENTRAL Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota	17,069	316	4.0%
WEST SOUTH CENTRAL Arkansas, Louisiana, Oklahoma, Texas	27,038	485	4.6%
MOUNTAIN Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming	28,934	522	9.3%
PACIFIC Alaska, California, Hawaii, Oregon, Washington	63,573	1,025	6.2%
U.S. TOTAL	$306,225	5,213	4.8%

Note: details may not add to totals due to rounding.
Source: U.S. Travel Data Center and U.S. Travel and Tourism Administration

APPENDIX B: U.S TRAVEL INDUSTRY TERMINOLOGY

FOR STATISTICAL REPORTING

Adopted by the Board of Trustees
of the US Travel Data Center
on December 13, 1985

1. "Travel Industry" -- an inter-related amalgamation of those businesses and agencies which totally or in part provide the means of transport, goods, services, accommodations, and other facilities for travel out of the home community for any purpose not related to local day-to-day activity.

2. "Travel" -- the actions and activities of international and domestic travelers (as defined below) taking trips to places outside their home communities for any purpose except commuting to and from work or attending school.

3. "Tourism" -- synonymous with "travel".

4. "International Traveler" -- any person visiting a country other than that in which he (she) has his (her) usual place of residence for at least 24 hours but not more than one year, and whose main purpose of visit is other than following an occupation renumerated from within the country visited, and the purpose of whose trip can be classified under one or more of the following categories:

pleasure	business
recreation	commerce
holiday	meeting
sport	conference
religion	convention
shopping	trade show
vacation	health
visiting friends or relatives	study

5. "International Excursionist" -- travelers, as defined in 4 above, staying less than 24 hours in the country visited (including cruise passengers).

6. "International Tourist" -- synonymous with "international traveler".

7. Domestic Traveler" -- any resident of the United States regardless of nationality who travels to a place 100 miles or more away from home within the U.S. or who stays away from home one or more nights in paid accommodations, and who returns home within twelve months, except commuting to and from work or attending school. This includes trips that can be classified under one or more of the following purpose categories:

pleasure	business
recreation	commerce
holiday	meeting
sport	conference
religion	convention
shopping	trade show
vacation	health
visiting friends or relatives	study

8. "Domestic Excursionist" -- any person who travels more than 25 miles away from home one way but less than 100 miles and returns home the same day for any purpose except commuting to and from work or attending school, including trips that can be classified under the categories defined in 7 above.

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